COWEN GROUP, INC.
Form 10-K
March 14, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

**Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the fiscal year ended: December 31, 2010 **Commission file number: 001-34516**

Cowen Group, Inc.

(Exact name of registrant as specified in its charter)

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

**599 Lexington Avenue
New York, New York 10022
(212) 845-7900**

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

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

Title of Each Class	Name of Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	The Nasdaq Global Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Annual Report on Form 10-K or any amendment to the Annual Report on Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of Class A common stock held by non-affiliates of the registrant on June 30, 2010, 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 $138,580,525.

As of March 10, 2011 there were 75,882,678 shares of the registrant's common stock outstanding.

Documents incorporated by reference:

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2011 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.

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PART I

When we use the terms "we," "us," "Cowen Group" and the "Company," we mean, following the Transactions, Cowen Group, 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 Group, Inc., a Delaware corporation, is a holding company formed in connection with the business combination of Ramius LLC ("Ramius") and Cowen Holdings, Inc. ("Cowen Holdings"). The Company was jointly formed on June 1, 2009 by Cowen Holdings and RCG Holdings LLC ("RCG") in connection with the transactions contemplated by the Transaction Agreement and the Agreement and Plan of Merger, dated as of June 3, 2009 (the "Transactions").

Cowen Group, Inc. is a diversified financial services firm and, together with its consolidated subsidiaries (collectively, "Cowen Group" or the "Company"), provides alternative investment management, investment banking, research, and sales and trading services through its two business segments: Ramius and its affiliates comprise the Company's alternative investment management segment, while Cowen and Company, LLC ("Cowen and Company") is its broker-dealer segment. Prior to the consummation of the Transactions on November 2, 2009, the Company conducted its operations through one reportable segment, the alternative investment management segment. For a discussion of certain financial information regarding our revenues from external customers, a measure of profit or loss and total assets broken down by segment, please see the notes to the Company's consolidated financial statements appearing elsewhere in this Form 10-K.

Our alternative investment management business had approximately $9 billion of assets under management as of January 1, 2011. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been a registered investment adviser under the Investment Advisers Act since 1997. Our alternative investment management products, solutions and services include hedge funds, replication products, mutual funds, managed futures funds, fund of funds, real estate, healthcare royalty funds, and cash management services offered primarily under the Ramius name. Our institutional investors include pension funds, insurance companies, banks, foundations and endowments, wealth management organizations and family offices.

In February 2010, we integrated senior management and certain aspects of the infrastructure of our hedge fund and fund of funds businesses to improve institutional efficiency and service. In March 2010, we expanded our alternative investment management business with the formation of the Ramius Trading Strategies managed futures platform.

In July 2010, we announced the further expansion of our alternative investment management business through the launch of our first mutual fund, the Ramius Dynamic Replication Fund. The fund focuses on replication of a custom alternative investment index and provides investors the opportunity to access market exposures typically characterized by investments in less liquid alternative investments, but with the daily liquidity of a mutual fund. The fund began trading in the beginning of August 2010 with over $120 million in initial capital.

Our broker-dealer businesses include research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy sectors. We provide research and brokerage services to over 1,000 domestic and international clients seeking to trade securities, principally in our target sectors. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies.

In June of 2010, we expanded our investment banking services to include credit and fixed income, including public and private debt placements, exchange offers, consent solicitations and tender offers. We also added origination and distribution capabilities for convertible securities. In addition, we have enhanced our presence in the Private investment in public equity transaction ("PIPE") and registered direct market by adding personnel over the course of the year. With the addition of these additional capital markets capabilities we also established a unified capital markets group which we believe will allow us to be more effective in providing cohesive solutions for our clients.

Principal Business Lines

Alternative Investment Management Business

We operate our alternative investment management business primarily through Ramius. Our alternative investment management business had approximately $9.0 billion of assets under management as of January 1, 2011. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been a registered investment adviser under the Investment Advisers Act since 1997. Our alternative investment management products, solutions and services include hedge funds, replication products, mutual funds, managed futures funds, fund of funds, real estate, healthcare royalty funds, and cash management services offered primarily under the Ramius name. Our institutional investors include pension funds, insurance companies, banks, foundations and endowments, wealth management organizations and family offices.

Alternative Investment Management Products and Services

Hedge Funds. The Company's hedge funds are focused on addressing the needs of institutional investors and high net worth individuals to preserve and grow allocated capital. The Company offers two single-strategy hedge funds, one focused on global long/short credit and another small-cap value creation focused on corporate credit and credit-related products. The Company also manages multi-strategy hedge funds. The majority of assets remaining in these funds includes private investments in public companies, investments in private companies, real estate and special situations.

Alternative Solutions. The Company's Alternative Solutions business includes replication funds, individual portfolio solutions for large institutional clients, and traditional fund of funds products. Our replication funds and accounts focus on replication of a custom alternative investment index and seek to provide investors the opportunity to access market exposures typically characterized by investments in less liquid alternative investments. The individual portfolio solutions business seeks to provide institutional clients with customized products and services designed to the characteristics of their individual portfolio. The Company offers fund of funds investment products that invest in a number of alternative investment management vehicles that are selected by the Company and are not affiliated with the Company, with the goal of achieving consistent and stable returns to investors. A fund of funds offers investors the opportunity to invest in private investment vehicles whose purpose is to invest in a group of underlying hedge funds or other alternative investment management vehicles selected by the fund of funds investment manager. We have created a number of programs including long/short equity, global value creation, diversified absolute return, concentrated multi-strategy, as well as client-focused solutions based on hedging overlays and replication, varying regulatory structures and other client-driven portfolio constraints. The fund of funds program employs evaluation procedures to determine the opportunity set for each strategy, identifies appropriate institutional quality underlying-managers with a history of longevity and stability, conducts detailed investment, operational, legal, financial and risk due diligence on each underlying-manager, and utilizes qualitative and quantitative techniques to construct portfolios of those underlying-managers' alternative investment management vehicles. The resulting portfolio allocations are continuously analyzed and adjusted according to the outlook for each strategy and underlying-manager. The Company's fund of funds program invests with approximately 125 underlying fund managers and was established in 1998.

Ramius Trading Strategies ("RTS"). RTS manages various funds and accounts that seek to provide investors with returns uncorrelated with the public equity and debt markets while maintaining a strong liquidity profile. In order to achieve this objective, RTS identifies, and allocates capital to, various third party commodity trading advisors that pursue a managed futures strategy in a managed account format.

Real Estate Funds. The Company's real estate funds have focused on generating attractive, risk adjusted returns by using our owner/manager approach to underwriting, structuring, financing and redevelopment of all real estate property types since 1999. This approach emphasizes a focus on real estate fundamentals and potential market inefficiencies. As of December 31, 2010, the Ramius Urban American Funds owned interests in and managed approximately 12,300 multi family housing units in the New York metropolitan area. The RCG Longview platform provides bridge senior loans, subordinated mortgages, mezzanine loans, and preferred equity through its debt fund series, and makes equity investments through its equity fund. As of December 31, 2010, the members of the general partners of the RCG Longview platform, independent of the RCG Longview Funds, collectively owned or managed directly and/or indirectly, 56,924 residential units, 25.1 million square feet of retail, 13.4 million square feet of office space and 1,340 hotel rooms. The Company's ownership interests in the various general partners of the Ramius Urban American Funds and RCG Longview Funds range from 30% to 55%.

Cowen Healthcare Royalty Partners ("CHRP"). The funds managed by CHRP (the "CHRP Funds") invest principally in commercial-stage biopharmaceutical products and companies through the purchase of royalty or synthetic royalty interests and structured debt and equity instruments. The CHRP Funds seek these royalty interests in end-user sales of commercial-stage or near commercial-stage medical products such as pharmaceuticals, biotechnology products and medical devices. Prior to the consummation of the Transactions, the CHRP Funds were part of Cowen Holdings's business. We share the net management fees from the CHRP Funds equally with the founders of the CHRP Funds. In addition, we have interests in the general partners of the CHRP Funds ranging from 32.1% to 40.2%.

Cash Management and Mortgage Advisory Services. The Company's cash management services business provides clients with investment guidelines for managing cash and establishes investment programs for managing their cash in separately managed accounts. The Company's cash management products are focused on preserving principal, maintaining daily liquidity and maximizing returns for investors. Portfolios are separately managed according to each investor's investment guidelines and are held at a custodian. Investor cash and other short term fixed income assets are managed for corporate, municipal, not-for-profit and other institutional clients (including hedge funds). The Company's mortgage advisory business involves collateral management services for certain collateralized debt obligation products.

Broker-Dealer Business

We operate our broker-dealer business through Cowen and Company. Cowen and Company is an international investment bank dedicated to providing superior research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy sectors. We provide research and sales and trading services to over 1,000 domestic and international clients seeking to trade securities, principally in our target sectors. We focus our investment banking efforts on growth-oriented public companies as well as private companies.

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Investment Banking

Our investment banking professionals are focused on providing strategic advisory and capital raising services to U.S. and international public and private companies in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy sectors. By focusing on Cowen and Company's target sectors over a long period of time, we have developed a significant understanding of the unique challenges and demands with respect to public and private capital raising and strategic advice in these sectors. Our advisory and capital raising capabilities begin at the early stages of a private company's accelerated growth phase and continue through its evolution as a public company. Historically, a significant majority of Cowen and Company's investment banking revenue has been earned from high-growth small and mid-capitalization companies. We believe the high level of expertise and client trust Cowen and Company has developed allows it to generate repeat business. During 2010, we generated a significant amount of our investment banking business from companies based in China, and we were one of only two non-bulge bracket investment banks to book-run at least two U.S. IPOs for Chinese companies. We believe our expanded capital markets capabilities and unified capital markets group will allow us to be even more effective in providing cohesive solutions for our clients.

Brokerage

Our team of brokerage professionals serves institutional investor clients in the United States and internationally. Cowen and Company trades common stocks, listed options and equity-linked and fixed income securities on behalf of its clients. We also provide our clients with an electronic execution suite and an ETF trading platform. We have relationships with over 1,000 institutional investor clients. Our brokerage team is comprised of experienced professionals dedicated to Cowen and Company's target sectors, which allows us to develop a level of knowledge and focus that we believe differentiates our brokerage capabilities from those of many of our competitors. We tailor our account coverage to the unique needs of our clients. We believe that our sector traders are able to provide superior execution because of their knowledge of the interests of our institutional investor clients in specific companies in Cowen and Company's target sectors.

Our sales professionals also provide our institutional investor clients with access to the management of our investment banking clients outside the context of financing transactions. These meetings are commonly referred to as non-deal road shows. Non-deal road shows allow our investment banking clients to increase their visibility within the institutional investor community while providing our institutional investor clients with the opportunity to further educate themselves on companies and industries through meetings with management. We believe Cowen and Company's deep relationships with company management teams and its 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, 2010, we have a research team of 27 senior analysts covering approximately 400 companies. Within our coverage universe, approximately 104 are healthcare companies, 145 are technology companies, 68 are consumer companies, 31 are aerospace and defense companies, 10 are alternative energy companies, 33 are REITs and 7 are Chinese companies. Our differentiated approach to research focuses our analysts' efforts toward delivering specific investment ideas and de-emphasizes maintenance research. We have developed surveys and professional networks that provide us with frequent and timely industry insights regarding evolving trends in our target sectors. We sponsor a number of conferences every year that are focused on our target sectors and sub-sectors. During these conferences we highlight our investment research and provide significant investor access to corporate management teams.

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Information About Geographic Areas

We are principally engaged in providing alternative investment management services to global institutional investors and investment banking sales and trading and research services to corporations and institutional investor clients primarily in the United States. We provide investment banking services to companies in China though Cowen Latitude Advisors Limited ("CLAL"). We provide investment banking services to companies and institutional investor clients in Europe through our U.K. broker-dealer, Cowen International Limited ("CIL").

Employees

As of March 10, 2011, the Company had 553 employees.

Competition

We compete with many other firms in all aspects of our business, including raising funds, seeking investment opportunities and hiring and retaining professionals, and we expect our business will continue to be highly competitive. The alternative 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 Risks Related to the Company's Alternative Investment Management Business" and "Risk Factors Risks Related to the Company's Broker-Dealer Business."

Regulation

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 Securities and Exchange Commission ("SEC").

Most of the investment advisers of our alternative investment funds are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Investment Advisers Act of 1940 (the "Advisers Act"). Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients and general anti-fraud prohibitions. All of our wholly-owned investment advisers to our alternative investment funds comply with the Advisers Act requirements and regulations.

We are also subject to regulation under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act of 1933, as amended (the "Securities Act"), and various other statutes. Many of the investment advisers of our alternative investment funds are also subject to

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regulation by the National Futures Association and the U.S. Commodities Futures Trading Commission. In addition, we are subject to regulation by the Department of Labor under the U.S. Employee Retirement Income Security Act of 1974 ("ERISA"). In the United Kingdom, we are subject to regulation by the U.K. Financial Services Authority ("FSA"), in Luxembourg by the Commission de Surveillance du Secteur Financier, in Japan by the Financial Services Agency and in Hong Kong by the Securities and Futures Commission ("SFC"). Our investment activities around the globe are subject to a variety of regulatory regimes that vary country by country.

Regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In light of recent events in the financial markets, governmental authorities in the United States and in the other countries in which we operate have proposed additional disclosure requirements and regulation of hedge funds and other alternative asset managers. For example, rulemaking by the SEC and other regulatory authorities outside the United States has imposed trading and reporting requirements on short selling, which could adversely affect trading opportunities, including hedging opportunities, for our funds. In addition, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed into law in the United States. Implementation of the Dodd-Frank Act will be accomplished through extensive rulemaking by the SEC and other governmental agencies. In addition, the Dodd-Frank Act establishes 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-bank financial 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. The FSOC has released a proposed rule regarding its authority to require the supervision and regulation of systemically significant non-bank financial companies. A final rule and designations of systemically significant non-bank financial companies are expected later this year. The Dodd-Frank Act also mandates the preparation of studies on a wide range of issues that could lead to additional regulatory changes. Until these rules and resulting changes are fully developed, it is not practical to assess the impact that the Dodd-Frank Act or the resulting rules and regulations will have on us and on the financial services industry. See "Item 1A Risk Factors" for more information.

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. In addition, certain of our businesses are subject to compliance with laws and regulations of United States federal and state governments, foreign governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Additional legislation, changes in rules promulgated by the SEC 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 of a broker-dealer or its directors, officers or employees. Occasionally, we have been subject to investigations and proceedings, and sanctions have been imposed for infractions of various regulations relating to our activities.

Cowen and Company is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia and Puerto Rico. Self-regulatory organizations, including the Financial Industry Regulatory

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Authority ("FINRA"), adopt and enforce rules governing the conduct and activities of its member firms, including Cowen and Company. In addition, state securities regulators have regulatory or oversight authority over our broker-dealer entities. Accordingly, Cowen and Company is subject to regulation and oversight by the SEC and FINRA. Cowen and Company is also a member of, and subject to regulation by, the New York Stock Exchange ("NYSE"), the Chicago Board Options Exchange, the Philadelphia Stock Exchange, the American Stock Exchange, the International Stock Exchange, the Nasdaq Stock Exchange, the Chicago Board of Trade and the New York Mercantile Exchange.

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, securities and information, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of various self-regulatory organizations, Cowen and Company is subject to the SEC's uniform net capital rule, Rule 15c3-1 under the Exchange Act. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule requires us to give prior notice to the SEC for certain withdrawals of capital. As a result, our ability to withdraw capital from our broker-dealer subsidiary may be limited.

The research functions of investment banks have been, and continue to be, the subject of regulatory scrutiny. In 2002 and 2003, acting in part pursuant to a mandate contained in the Sarbanes-Oxley Act of 2002, the SEC, the NYSE and the predecessor to FINRA adopted rules imposing heightened restrictions on the interaction between equity research analysts and investment banking personnel at member securities firms. The requirements resulting from these regulations have necessitated the development and enhancement of corresponding policies and procedures.

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

Anti-money laundering laws outside the United States contain certain similar provisions. The obligation of financial institutions, including us, 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.

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Rigorous legal and compliance analysis of our businesses and investments is important to our culture and risk management. In addition, disclosure controls and procedures and internal controls over financial reporting are documented, tested and assessed for design and operating effectiveness in compliance with the Sarbanes-Oxley Act of 2002. 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 and 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 on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities. Our compliance group also monitors the information barriers that we maintain between each of our different businesses. We believe that our various businesses' access to the intellectual capital, contacts and relationships that reside throughout our firm benefits all of our businesses. However, in order to maximize that access without compromising our legal and contractual obligations, our compliance group oversees and monitors the communications between or among our firm's different businesses.

Available Information

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

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

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Item 1A. Risk Factors

RISK FACTORS

Risks Related to the Company's Businesses and Industry

For purposes of the following risk factors, references made to the Company's funds include hedge funds and other alternative investment management products, services and solutions offered by the Company, investment vehicles through which the Company invests its own capital, funds in the Company's fund of funds business and real estate funds.

The Company

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

The Company's alternative investment management and broker-dealer businesses have incurred losses in several recent periods and also recorded net losses in certain quarters within other fiscal years. The Company may incur losses in any of its future periods. Future losses may have a significant effect on the Company's liquidity as well as our ability to operate.

In addition, we may incur significant expenses in connection with any expansion, strategic acquisition or investment with respect to our businesses. Specifically, we have invested, and will continue to invest, in our broker-dealer business, including, during 2010, hiring a number of senior professionals to create a fixed-income and equity-linked origination and distribution platform. 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. Particularly in light of current market conditions, the Company cannot be certain that it would have access to such financing on acceptable terms.

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

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

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reputations and relationships with our clients are critical elements in obtaining and executing client engagements. Ramius and Cowen and Company encounter intense competition for qualified employees from other companies inside and outside of their industries. From time to time, Ramius and Cowen and Company have experienced departures of professionals. Losses of key personnel have occurred and may occur in the future. In addition, if any of our client-facing employees or executive officers were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of the services of Ramius and Cowen and 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, such as have occurred over the past two years, it may be difficult to pay competitive compensation without the ratio of our compensation and benefits expense to revenues becoming higher. In addition, a portion of the compensation of many of our employees takes the form of restricted stock that vests over a period of years, which is not as attractive to existing and potential employees as compensation consisting solely of cash or a lesser percentage of stock that may be offered by our competitors.

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

The Company's businesses, by their nature, do not produce predictable earnings, and all of the Company's businesses may be materially affected by conditions in the global financial markets and by global economic conditions, such as interest rates, the availability of credit, inflation rates, economic uncertainty, changes in laws, commodity prices, asset prices (including real estate), currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts, protests or security operations). Recently, global credit and other financial markets suffered substantial stress, volatility, illiquidity and disruption. Market turbulence reached unprecedented levels during the third and fourth quarters of 2008, as investors lost confidence in the financial system resulting in an historically unprecedented lack of liquidity, a general decline in asset values (including real estate assets), and the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. These factors, combined with volatile commodity prices and foreign exchange rates, contributed to recessionary economic conditions globally and a deterioration in consumer and corporate confidence and could further exacerbate the overall market disruptions and risks to market participants, including the Company's funds and managed accounts. These market conditions may affect the level and volatility of securities prices and the liquidity and the value of investments in the Company's funds, including Ramius Enterprise LP (which we refer to as Enterprise Fund), Cowen Overseas Investment LP (which we refer to as COIL) and Ramius Optimum Investments LLC (which we refer to as ROIL) in which the Company has investments of approximately $153.6 million, $88.8 million and $48.7 million, respectively, of its own capital as of December 31, 2010 and managed accounts, and the Company may not be able to effectively manage its alternative investment management business's exposure to these market conditions. Losses in the Enterprise Fund, COIL and ROIL could adversely affect our results of operations.

Volatility in the value of the Company's investments and securities portfolios or other assets and liabilities could adversely affect the financial condition or results of operations of the Company.

The Company is subject to the provisions of Accounting Standards Codification ("ASC") Topic 820 (which we refer to as ASC 820) which RCG, as the accounting predecessor of the Company, adopted on January 1, 2008. ASC 820 defines 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. ASC 820 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

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reflected in the statement of operations at each measurement period. Therefore, continued volatility in the value of the Company's investments and securities portfolios or other assets and liabilities, including funds, will result in volatility of the Company's results. As a result, changes in value may have an adverse effect on the Company's financial condition or operations in the future.

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

Liquidity, or ready access to funds, is essential to the operations of financial services firms. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Liquidity is of particular importance to Cowen and Company's trading business and perceived liquidity issues may affect the willingness of the Company's investment banking clients and counterparties to engage in brokerage transactions with Cowen and Company. Cowen and Company's liquidity could be impaired due to circumstances that the Company may be unable to control, such as a general market disruption or an operational problem that affects Cowen and Company, its trading clients or third parties. Furthermore, Cowen and 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 is a holding company and primarily depends on its subsidiaries to fund its operations. Cowen and Company is subject to the net capital requirements of the SEC and various self-regulatory organizations of which it is a member. 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. CIL the Company's U.K. registered broker-dealer subsidiary, is subject to the capital requirements of the FSA. CLA is subject to the financial resources requirements of the SFC of Hong Kong. Any failure to comply with these capital requirements could impair the Company's ability to conduct its investment banking business.

The Company and its funds and/or Cowen and Company 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 funds in its alternative investment management business.

Firms in the financial services industry have been subject to an increasingly regulated environment. The industry has experienced increased scrutiny from a variety of regulators, including the SEC, FINRA, 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 United States or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. Among other things, 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 Company may need to modify the strategies or operations of its alternative investment management business, face increased constraints or incur additional costs in order to satisfy new regulatory requirements or to compete in a changed business environment. The Company's alternative investment management business is subject to regulation by various regulatory authorities that are charged with protecting the interests of investors. The activities of certain of the Company's subsidiaries are regulated primarily within the United States by the SEC, FINRA, and the National Futures Association, as well as various state agencies, and are also subject to regulation by other agencies in the various jurisdictions in which they operate, including the FSA, the Financial Services Agency of Japan, the SFC, the German Federal Financial Supervisory Authority and the Commission de Surveillance du Secteur Financier in Luxembourg. The activities of Ramius LLC, Ramius Advisors, LLC, Ramius Asia LLC, Ramius Alternative Solutions LLC, Ramius Structured Credit Group LLC, Ramius Trading Strategies LLC and Ramius Value and Opportunity Advisors LLC are all regulated by the SEC due to their registrations as U.S. investment advisers. In addition, the funds in the Company's alternative investment management business are subject to regulation in the jurisdictions in which they are organized. 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. The Company is also subject to applicable anti-money laundering regulations and net capital requirements in the jurisdictions in which it operates. Additionally, the regulatory environment in which the Company operates frequently changes and has seen significant increased regulation in recent years and it is possible that this trend may continue. Such additional regulation could, among other things, increase compliance costs or limit our ability to pursue investment opportunities and strategies.

The regulatory environment continues to be turbulent as regulators around the world respond to the recent financial crisis. There is an extraordinary volume of regulatory discussion papers, draft directives and proposals being issued around the world and these initiatives are not always coordinated. The European Commission has issued a draft Directive on Alternative Investment Fund Managers, recommendations on directors' pay and financial services sector compensation and proposals on packaged retail investment products. In addition, the FSA of the United Kingdom has issued a discussion paper entitled "A Regulatory Response to the Global Banking Crisis" as well as undertaken an exercise to collect data to assess the systemic risk that hedge funds may or may not pose. The Bank of England is also collecting data on the systemic risk of hedge funds. Recent rulemaking by the SEC and other regulatory authorities outside the United States have imposed trading restrictions and reporting requirements on short selling, which have impacted certain of the investment strategies of the Company's investment funds and managed accounts, and continued restrictions on or further regulations of short sales could negatively impact the performance of the investment funds and managed accounts.

In addition, financial services firms are subject to numerous perceived or actual conflicts of interest, which have drawn scrutiny from the SEC and other federal and state regulators. For example, the research areas of investment banks have been and remain the subject of heightened regulatory scrutiny, which has led to increased restrictions on the interaction between equity research analysts and investment banking personnel at securities firms. While the Company maintains various policies, controls and procedures to address or limit actual or perceived conflicts and regularly seeks to review and update such policies, controls and procedures, appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if it fails to do so. Such policies and procedures to address or limit actual or perceived conflicts may also result in increased costs, additional operational personnel and increased regulatory risk. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

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Cowen and Company, Ramius and the Company are 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 their business, results of operations and financial condition.

As an investment banking firm, Cowen and 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 Cowen and Company's services, it may be more damaging in its business than in other businesses. Moreover, Cowen and 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 to clients and aggrieved third parties, including stockholders of clients who could commence litigation against Cowen and Company and/or the Company. Although Cowen and 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 or may not be enforceable in all cases. 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. 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 connection with the initial public offering of the former Cowen Group, Inc. (now Cowen Holdings) in July 2006 ("Cowen Holdings's IPO"), Cowen Holdings entered into an Indemnification Agreement with Société Générale, wherein, among other things, Société Générale agreed to indemnify Cowen Holdings for all liability arising out of all known, pending or threatened litigation (including the cost of such litigation) and arbitrations and certain known regulatory matters, in each case, that existed prior to the date of Cowen Holdings's IPO. Société Générale, however, will not indemnify Cowen Holdings, and Cowen Holdings will instead indemnify Société Générale, for most litigation, arbitration and regulatory matters that may occur in the future but were unknown at the time of Cowen Holdings's IPO and certain known regulatory matters.

In general, the Company is exposed to risk of litigation by investors in its alternative investment management business if the management of any of its funds is alleged to constitute negligence or dishonesty. Investors could sue to recover amounts lost by the Company's funds due to any alleged misconduct, up to the entire amount of the loss. In addition, the Company faces the risk of litigation from investors in the Company's funds if restrictions applicable to such funds are violated. We may also be exposed to litigation by investors in the Company's fund of funds platform for losses resulting from similar conduct at an underlying fund. Furthermore, the Company may be subject to litigation arising from investor dissatisfaction with the performance of the Company's funds and the funds invested in by the Company's fund of funds platform. 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 indemnified by the Company's 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 fails to obtain indemnification from its funds, our business, results of operations and financial condition could be materially adversely affected. In its alternative investment management business, the Company is exposed to the risk of litigation if a fund suffers catastrophic losses due to the failure of a particular investment strategy or due to the trading activity of an employee who has violated market rules or regulations. Any litigation arising in such circumstances is likely to be protracted, expensive and surrounded by circumstances which are materially damaging to the Company's reputation and businesses.

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As a result of the Transactions, there exists the potential for conflicts of interest, and a failure to appropriately identify and deal with conflicts of interest could adversely affect our businesses.

Due to the combination of our alternative 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 business has access to material non-public information that may not be shared with our alternative 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.

We have developed and implemented procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the willingness of clients to enter into transactions or engagements in which such a conflict might arise may be affected if we fail to identify and appropriately address potential conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or enforcement actions.

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

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

There is a risk that the Company's employees or partners, or the managers of funds invested in by the Company's fund of funds platform, 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 improperly to 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.

Required reductions in the available credit under the Company's secured revolving loan facility may limit our ability to maintain sufficient liquidity and any additional financing that we may need may not be available on favorable terms, or at all.

Under the terms of the Company's secured revolving loan facility the amount of capital available was reduced to $25 million from $50 million on January 4, 2010 and the facility terminates on September 29, 2011. Such reduction in our available liquidity could have a material adverse impact on our future financial condition and results of operations and we may be required to obtain additional financing from other sources. There can be no assurance that we can find such financing in the amounts required or that the terms, covenants and the cost of such financing will be as favorable as those which were available under our existing secured revolving loan facility. If we are unable to obtain additional capital, we may have to alter our business and capital expenditure plans, which would have a materially adverse effect on our future results of operations.

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 alternative investment management and investment banking businesses. In the future, we may seek additional acquisitions, investments, strategic alliances or similar arrangements, which may expose us to risks such as:

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

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

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

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

RCG's significant ownership interest in the Company could affect the liquidity in the market for our Class A common stock.

RCG holds approximately 43.2% of our Class A common stock and therefore has significant influence over matters requiring approval by the Company's stockholders, including in the election of directors and approval of significant corporate transactions. Furthermore, RCG's managing member is controlled by certain members of our senior management, including Peter A. Cohen, our Chairman and Chief Executive

Officer. RCG's concentration of ownership may discourage a third party from proposing a change of control or other strategic transaction concerning the Company or otherwise have the effect of delaying or preventing a change of control of the Company that other stockholders may view as beneficial. As a result, the Company's Class A common stock could trade at prices that do not reflect a "control premium" to the same extent as do the stocks of similarly situated companies that do not have any single stockholder with an ownership interest as large as RCG's ownership interest.

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.

BA Alpine Holdings, Inc., its designee on the Company's board of directors and RCG may have interests that conflict with the interests of our stockholders.

BA Alpine Holdings, Inc., its designee on the Company's board of directors and RCG may have interests that conflict with, or are different from, those of the Company and our stockholders. Conflicts of interest between BA Alpine Holdings, Inc. and/or RCG and the Company may arise, and such conflicts of interest may not be resolved in a manner favorable to the Company, including potential competitive business activities (in the case of BA Alpine Holdings, Inc.), corporate opportunities, indemnity arrangements, registration rights and sales or distributions by RCG, BA Alpine Holdings, Inc. or their respective affiliates of Class A common stock. The Company's amended and restated certificate of incorporation and by-laws do not contain any provisions designed to facilitate resolution of actual or potential conflicts of interest, or to ensure that potential business opportunities that may become available to BA Alpine Holdings, Inc. and the Company will be reserved for or made available to the Company. In addition, RCG, as the holder of a significant portion of the Company's issued and outstanding shares of Class A common stock, could delay or prevent an acquisition or merger even if such a transaction would benefit other stockholders.

Commencing on January 1, 2011, 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.

As a result of the business combination of Ramius and Cowen Holdings, which was consummated on November 2, 2009, the Company must be fully compliant with the requirements of Section 404 of the Sarbanes-Oxley Act as of January 1, 2011. 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.

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may adversely impact the Company's business.

The Dodd-Frank Act, signed into law on July 21, 2010, represents a comprehensive overhaul of the financial services industry within the United States and will be implemented through extensive rulemaking by the SEC and other governmental agencies. In addition, the Dodd-Frank Act establishes the new federal Bureau of Consumer Financial Protection (the "BCFP") and the FSOC and will require the BCFP and FSOC, among other federal agencies, to implement new rules and regulations. Until these rules and resulting changes are fully developed, it is not practical to assess the impact that the Dodd-Frank Act or the resulting rules and regulations will have on the Company's business or the financial services industry within the United States.

Risks Related to the Company's Alternative Investment Management Business

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

While market conditions improved in 2010, they have been and remain inherently unpredictable and outside of the Company's control, and may result in reductions in Ramius's revenue and results of operations. Such reductions may be caused by a decline in assets under management, resulting in lower management fees and incentive income, an increase in the cost of financial instruments, lower investment returns or reduced demand for assets held by the Company's funds, which would negatively affect the funds' ability to realize value from such assets or continued investor redemptions, resulting in lower fees and increased difficulty in raising new capital.

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

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

Incentive income, which has historically comprised a substantial portion of Ramius's annual revenues, is, in most cases, subject to "high-water marks" whereby incentive income is earned by Ramius only to the extent that the net asset value of a fund or managed account at the end of a measurement period exceeds the highest net asset value as of the end of a preceding measurement period for which Ramius earned incentive income. Ramius's incentive allocations are also subject, in some cases, to performance hurdles or benchmarks. To the extent Ramius's funds or managed accounts experience negative investment performance, as they did in 2008, and in the case of certain real estate funds, in 2009, the investors in these funds or managed accounts would need to recover cumulative losses before Ramius can earn incentive income with respect to the investments of those investors who previously suffered losses. As of December 31, 2010, the products currently offered by Ramius are all above their high-water marks, though Ramius is not earning incentive income with respect to the investments of some of its investors who transferred assets from our multi-strategy funds, which are being wound down, to these products.

It may be difficult for Ramius to retain investment professionals during periods where market conditions make it more difficult to generate positive investment returns.

Certain of the Company's funds face particular retention issues with respect to investment professionals whose compensation is tied, often in large part, to such performance thresholds. This retention risk is heightened during periods where market conditions make it more difficult to generate positive investment returns. For example, several investment professionals receive performance-based compensation at the end of each year based upon their annual investment performance, and this performance-based compensation represents substantially all of the compensation the professional is entitled to receive during the year. If the investment professional's annual performance is negative, the professional may not be entitled to receive any performance-based compensation for the year. If investment professionals or funds, as the case may be, produce investment results that are negative (or below the applicable hurdle or benchmark), the affected investment professionals may be incentivized to join a competitor because doing so would allow them to earn performance-based compensation without the requirement that they first satisfy the high-water mark.

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

Investors in the Company's funds and investors with managed accounts may generally redeem their investments with prior notice, subject to certain initial holding periods. Investors may reduce the aggregate amount of their investments, or transfer their investments to other funds or asset managers with different fee rate arrangements, for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. Furthermore, investors in the Company's funds may be investors in products managed by other alternative asset managers where redemptions have been restricted or suspended. Such investors may redeem capital from Company's funds, even if the Company's funds' performance is superior, due to an inability to redeem capital from other managers. The allocation process for many investors is more selective and deliberate than it was prior to 2008. Increased volatility in global markets could accelerate the pace of fund and managed account redemptions. Redemptions of investments in the Company's funds could also take place more quickly than assets may be sold by those funds to meet the price of such redemptions, which could

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result in the relevant funds and/or Ramius being in breach of applicable legal, regulatory and contractual requirements in relation to such redemptions, resulting in possible regulatory and investor actions against Ramius, the Company's funds and/or the Company. If the Company's funds or managed accounts 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 alternative investment management business. Any such action could potentially cause further redemptions and/or make it more difficult to attract new investors.

The redemption of investments in the Company's funds or in managed accounts could also adversely affect the revenues of the Company's alternative investment management business, which are substantially dependent upon the assets under management in the Company's funds. 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. As a result of the disruptions and the resulting uncertainty during the second half of 2008 and early 2009, Ramius experienced an increase in the level of redemptions from the Company's funds and managed accounts. If this level of redemption activity returns, it could become more difficult to manage the liquidity requirements of the Company's funds, making it more difficult or more costly for the Company's funds to liquidate positions rapidly to meet redemption requests or otherwise. This in turn may negatively impact the Company's returns on its own invested capital.

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

Hedge fund investments, including the investments of the Company's own capital in the Enterprise Fund, COIL and ROIL, are subject to other additional risks.

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

- Generally, there are few limitations on hedge funds' investment strategies, which are often subject to the sole discretion of the management company or the general partner of such funds.

- Hedge funds may engage in short selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security sold short may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions. Furthermore, recent rulemaking by 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 hedge funds' ability to use short selling effectively.

The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position through a combination of financial instruments. A hedge fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the fund might only be able to acquire some but not all of the components of the position, or if the overall position were in need of adjustment, the fund might not be able to make such an adjustment. As a result, a hedge 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 hedge funds interact on a daily basis.

Hedge funds are subject to risks due to the potential illiquidity of assets. Hedge 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 hedge 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. Moreover, these risks may be exacerbated for the Company's fund of funds platform. For example, if the Company's fund of funds platform invested in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for the Company's fund of funds portfolios would be compounded. Furthermore, certain of the investments of the Company's fund of funds platform were in third party hedge funds that halted redemptions in the recent past in the face of illiquidity and other issues, and could do so again in the future.

Hedge fund investments 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, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade.

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

The Company's funds enter into numerous types of financing arrangements with a wide array of counterparties around the world, including loans, hedge contracts, swaps, repurchase agreements and other derivative and non-derivative contracts. The terms of these contracts are generally complex and often customized and generally are not subject to regulatory oversight. The Company is subject to the risk that the counterparty to one or more of these contracts may default, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur at any time without notice. Additionally, Ramius 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, Ramius may not take sufficient action to reduce its risks effectively.

Counterparty risk is accentuated where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds are not restricted from concentrating any or all of their transactions with one counterparty. Moreover, the funds' 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 or its funds, including declines in fund performance or assets under management and losses of key management personnel, each of which may be beyond our control. In the event of any such termination, the Company's funds may not be able to enter into alternative arrangements with other counterparties and our business may be materially adversely affected.

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

All of the Company's funds use the services of prime brokers, custodians, administrators or other agents to carry out certain securities transactions and to conduct certain business of the Company's funds. In the event of the insolvency of a prime broker and/or custodian, the Company's funds might not be able to recover equivalent assets in full as they may rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, the Company's funds' cash held with a prime broker or custodian (if any) may not be segregated from the prime broker's or custodian's own cash, and the funds will therefore rank as unsecured creditors in relation thereto. Specifically, certain of the Company's funds used an affiliate of Lehman Brothers as one of their prime brokers and some of these funds also held assets through accounts at Lehman Brothers. Other affiliates of Lehman Brothers that are now in insolvency proceedings were also trading counterparties for some of the hedge funds managed by Ramius. The total net equity claim of the Company's funds with respect to Lehman Brothers was approximately $254.0 million, of which the Company has recovered $26.9 million and anticipates recovering approximately $87.8 million more from Lehman Brothers and its affiliates.

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

Ramius and its funds rely heavily on financial, accounting, trading and other data processing systems to, among other things, execute, confirm, settle and record transactions across markets and

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

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

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

Certain of the Company's funds (including the Enterprise Fund, COIL and ROIL, in which the Company had approximately $153.6 million, $88.8 million and $48.7 million, respectively, of its own capital invested as of December 31, 2010) invest a portion of their assets in securities that are not publicly traded and funds invested in by the Ramius fund of funds platform may do the same. In many cases, such funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or there may not be a public market for such securities. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. Accordingly, under certain conditions, the Company's funds, or funds invested in by the Ramius fund of funds platform, may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make. Investing in these types of investments can involve a high degree of risk, and the Company's funds (including the Enterprise Fund, COIL and ROIL) may lose some or all of the principal amount of such investments, including our own invested capital.

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

When managing the Company's funds' exposure to market risks, the relevant fund (or one of the funds invested in by the Ramius fund of funds platform) 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 Ramius's (or the underlying fund manager'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. For a variety of reasons, 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 Ramius's (or the underlying fund manager's) control or ability to hedge.

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

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

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

Before making investments, particularly investments in securities that are not publicly traded, Ramius 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, Ramius 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

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type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, Ramius 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 Ramius conducts with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful, which may adversely affect the performance of the Company's funds and managed accounts and the Company's ability to generate returns on its own invested capital from any such investment.

The Ramius real estate funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in the Ramius real estate funds 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.

During 2008, 2009 and continuing through 2010, commercial real estate markets in the United States and Japan generally experienced major disruptions due to the unprecedented lack of available capital, in the form of either debt or equity, and declines in value as a result of the overall economic decline. As a result, transaction volume has dropped precipitously, negatively impacting the valuation and performance of the Ramius real estate funds significantly. Additionally, if the Ramius real estate funds acquire 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 Ramius fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.

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

The alternative investment management industry is extremely competitive. Competition includes numerous international, national, regional and local asset management firms and broker-dealers, commercial bank and thrift institutions, and other financial institutions. Many of these institutions offer products and services that are similar to, or compete with, those offered by us and have substantially more personnel and greater financial resources than Ramius does. The key areas for competition include historical investment performance, the ability to identify investment opportunities, the ability to attract and retain the best investment professionals and the quality of service provided to investors. The Company's ability to compete may be adversely affected if it underperforms in comparison to relevant

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benchmarks, peer groups or competing asset managers. The competitive market environment may result in increased downward pressure on fees, for example, by reduced management fee and incentive allocation percentages. The future results of operations of the Company's alternative investment management business are dependent in part on its ability to maintain appropriate fee levels for its products and services. In the current economic environment, many competing asset managers have experienced substantial declines in investment performance, increased redemptions, or counterparty exposures which impair their businesses. Some of these asset managers have reduced their fees in an attempt to avoid additional redemptions. Competition within the alternative investment management industry could lead to pressure on the Company to reduce the fees that it charges its clients for alternative investment management products and services. A failure to compete effectively in this environment may result in the loss of existing clients and business, and of opportunities to generate new business and grow assets under management, each of which could have a material adverse effect on the Company's alternative investment management business and results of operations, financial condition and prospects. Furthermore, consolidation in the alternative investment management industry may accelerate, as many asset managers are unable to withstand the substantial declines in investment performance, increased redemptions, and other pressures impacting their businesses, including increased regulatory, compliance and control requirements. Some competitors may acquire or combine with other competitors. The combined business may have greater resources than the Company does and may be able to compete more effectively against Ramius and rapidly acquire significant market share.

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

A person will generally be deemed to be an "investment company" for purposes of the U.S. Investment Company Act of 1940, if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or

- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

The Company believes it is engaged primarily in the business of providing asset management and financial advisory services and not in the business of investing, reinvesting or trading in securities. The Company also believes that the primary source of income from its business is properly characterized as income earned in exchange for the provision of services. Ramius is an alternative investment management company and the Company does not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, the Company does not believe that Ramius is a traditional investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. Additionally, neither Ramius nor the Company is an inadvertent investment company by virtue of the 40% test in Section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above.

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 alternative investment management operations so that neither the Company nor Ramius will be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause Ramius or the Company to

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be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on their respective capital structures, ability to transact business with affiliates (including subsidiaries) and ability to compensate key employees, could make it impractical for either Ramius or the Company to continue their respective businesses as currently conducted, impair the agreements and arrangements between and among them, their subsidiaries and their senior personnel, or any combination thereof, and materially adversely affect their business, financial condition and results of operations. Accordingly, Ramius or 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 Ramius or the Company to the registration and other requirements of the Investment Company Act.

Recently, legislation was proposed in the U.S. that would impose recordkeeping, disclosure, and reporting requirements upon investment funds advised by a firm that is registered with the SEC under the Advisers Act. Should this or similar legislation be adopted, the Company's funds may become subject to additional registration, reporting and other requirements. As a result, compliance costs and burdens upon the Ramius business may increase and the additional requirements may constrain Ramius's ability to conduct its business as currently conducted, which may adversely affect Ramius's and the Company's business, results of operations or financial condition.

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

The Company's alternative 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 alternative 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 alternative investment managers as well as their funds. It is impossible to determine the extent of the impact of any new or recently enacted laws, including the Dodd-Frank Act, or any regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be difficult and expensive and affect the manner in which Ramius conducts business, which may adversely impact its results of operations, financial condition and prospects.

Additionally, as a result of recent 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 Ramius operates is subject to heightened regulation. With respect to alternative investment management 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 proposed 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 alternative investment management funds, including the Company's funds. Such investigations may impose additional expenses on the Company, may require the attention of senior management and may result in fines if any of the Company's funds are deemed to have violated any regulations.

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

The Company generates a significant proportion of its alternative investment management revenue from a small number of its largest clients. As of January 1, 2011, Ramius's largest institutional investor represented approximately 12.4% of assets under management, with the five largest investors collectively representing approximately 22.8% of assets under management. The loss of all or a substantial portion of the business provided by one or more of these investors would have a material impact on income derived from management fees and incentive allocations and consequently have a material adverse effect on our alternative investment management business and results of operations or financial condition.

Risks Related to the Company's Broker-Dealer Business

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

Cowen and Company focuses principally on the healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy sectors of the economy. Therefore, volatility in the business environment in these sectors or in the market for securities of companies within these sectors could substantially affect the Company's financial results and, thus, the market value of the Class A common stock. The business environment for companies in these sectors has been subject to substantial volatility, and Cowen and Company's financial results have consequently been subject to significant variations from year to year. The market for securities in each of Cowen and Company's target sectors may also be subject to industry-specific risks. For example, changes in policies of the United States Food and Drug Administration, along with changes in Medicare and government reimbursement policies, may affect the market for securities of healthcare companies. Further, current and proposed regulatory initiatives that are geared towards scaling back the emission of greenhouse gases may present opportunities for the growth of alternative energy. Expansion in the alternative energy sector has also been enhanced, in part, by government-backed financial and tax incentives. However, should proposed limitations on the emission of greenhouse gases not be adopted or governmental incentives for alternative energy be significantly diminished or eliminated, the alternative energy sector could be adversely affected.

As an investment bank which focuses primarily on specific growth sectors of the economy, Cowen and Company also depends significantly on private company transactions for sources of revenues and potential business opportunities. Most of these private company clients are initially funded and controlled by private equity firms. 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 Cowen and Company's target sectors or other factors, the Company's business and results of operations may be adversely affected.

The financial results of the Company's broker-dealer business may fluctuate substantially from period to period, which may impair the stock price of the Class A common stock.

Cowen and Company has experienced, and we expect to experience in the future, significant periodic variations in its revenues and results of operations. These variations may be attributed in part to the fact that its investment banking revenues are typically earned upon the successful completion of a transaction, the timing of which is uncertain and beyond Cowen and Company's control. In most cases, Cowen and 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 banking 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 Cowen and Company is advising or an offering in which Cowen and

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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 Cowen and Company's focus on growth companies in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy 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 banking 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 Cowen and Company is not also engaged as a strategic advisor in such sale. As a result, our investment banking business is unlikely to achieve steady and predictable earnings on a quarterly basis, which could in turn adversely affect the stock price of the Class A common stock.

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

Cowen and Company's brokerage business accounted for approximately 66.9% of Cowen and Company's revenues during 2010. Along with other firms, Cowen and 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 Cowen and Company's 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 business. We are committed to maintaining and improving Cowen and Company's comprehensive research coverage to support its brokerage business and the Company may be required to make additional investments in Cowen and Company's research capabilities.

Cowen and 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. Cowen and Company competes on the basis of a number of factors, including client relationships, reputation, the abilities of Cowen and Company's professionals, market focus and the relative quality and price of Cowen and Company's services and products. Cowen and 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 banking business.

Cowen and Company is a relatively small investment bank. Many of Cowen and 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 Cowen and 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 Cowen and 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 Cowen and 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.

A portion of Cowen and Company's investment banking business is from Chinese companies which could be materially adversely affected by an adverse change in investors' attitudes towards Chinese companies and changes in the political and economic policies of the government of the People's Republic of China.

During 2010, Cowen and Company derived a portion of its investment banking revenues from companies based in China and expects to pursue additional business in China in the future. Cowen and Company's ability to generate revenue from Chinese companies is significantly affected by investors' views of the Chinese economy and of the sophistication and integrity of a Chinese company's management. For instance, during 2010, several publicly listed Chinese companies, one of which was a Cowen and Company client, were alleged to be engaging in fraud. Although this was limited to a small number of Chinese companies, negative publicity was generated for all Chinese issuers. While Cowen and Company performs extensive due diligence on all potential investment banking clients, including those located in China, if any such clients were alleged to be engaging in fraud, Cowen and Company may be subject to legal liability and reputational harm, which could adversely affect our results of operations and business condition. In addition, the current government leadership of the People's Republic of China has been pursuing economic reform policies that encourage private economic activity, greater economic decentralization and globalization, there is no assurance that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time, with or without notice. Further, the China region and markets may experience volatility, political turmoil, uncertainty or difficult economic or market conditions that differ from those in the United States. Any of these changes could negatively impact Cowen and Company's current business and its expansion plans within the China region which could have a negative impact on its revenues and results of operations

The Company's capital markets and strategic advisory engagements are singular in nature and do not generally provide for subsequent engagements.

The Company's investment banking clients generally retain Cowen and 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 Cowen and Company's engagements with these clients may not recur, Cowen and 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 Cowen and Company is unable to generate a substantial number of new engagements that generate fees from new or existing clients, the Company's investment banking business and results of operations would likely be adversely affected.

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

There has been a trend toward larger and more frequent commitments of capital by financial services firms in many of their activities. For example, in order to compete for certain transactions, investment banks may commit to purchase large blocks of stock from publicly traded issuers or significant stockholders, instead of the more traditional marketed underwriting process in which marketing is completed before an investment bank commits to purchase securities for resale. The Company anticipates participating in this trend and, as a result, Cowen and Company will be subject to increased risk as it commits capital to facilitate business. Furthermore, Cowen and 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.

Cowen and 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 Cowen and Company's results of operations in a given period. Market fluctuations may also cause Cowen and Company to incur significant losses from its trading activities. To the extent that Cowen and 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 Cowen and 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 business to potentially large losses as it attempts to cover short positions by acquiring assets in a rising market.

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

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

Cowen and Company has outsourced certain aspects of its technology infrastructure including data centers and wide area networks, as well as some trading applications. Cowen and Company is dependent on its technology providers to manage and monitor those functions. A disruption of any of the outsourced services would be out of the Company's control and could negatively impact our broker-dealer business. Cowen and Company has experienced disruptions on occasion, none of which has been material to Cowen and 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 Cowen and Company uses to facilitate its securities transactions. Any such failure or termination could adversely affect Cowen and Company's ability to effect transactions and to manage its exposure to risk.

In addition, the Company's ability to conduct its broker-dealer business may be adversely impacted by a disruption in the infrastructure that supports Cowen and 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 Cowen and Company conducts business, whether due to fire, other natural disaster, power or communications failure, act of terrorism or war or otherwise. Nearly all of our broker-dealer employees in our primary locations in New York, Boston, San Francisco and London work in close proximity to each other. Although Cowen and Company has a formal disaster recovery plan in place, if a disruption occurs in one location and our broker-dealer employees in that location are unable to communicate with or travel to other locations, Cowen and

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our main offices, all of which are leased, are located in New York City, Boston, San Francisco and London. Our corporate headquarters are located at 599 Lexington Avenue, New York, New York, comprise approximately 91,124 square feet of leased space, pursuant to lease agreements expiring in 2022. We also lease approximately 42,434 square feet of space at 1221 Avenue of the Americas, New York, New York pursuant to a sublease agreement expiring in 2013. We lease 38,217 square feet of space at Two International Place in Boston pursuant to a lease agreement expiring in 2014, which is used primarily by our broker-dealer segment. In San Francisco, we lease approximately 29,072 square feet of space at 555 California Street, pursuant to a lease agreement expiring in 2015 and used by our broker-dealer segment. Our London offices are located at Broadgate West Phase II, 1 Snowden Street, subject to a lease agreement expiring in 2017 that is used by our alternative investment management and broker-dealer segments, respectively. We also lease property at 10 Bruton Street in London subject to a lease agreement expiring in 2011. Our other offices, all of which are leased, are located in Atlanta, Chicago, Dallas, Stamford, Geneva, Munich, Purchase (New York), Luxembourg, Tokyo, Hong Kong, Beijing and Shanghai.

Item 3. Legal Proceedings

We face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have been increasing. These risks include potential liability under federal securities and other laws in connection with securities offerings and other transactions, as well as advice and opinions we provide concerning strategic transactions. In addition, like most financial institutions, we are often the subject of claims made by current and former employees arising out of their employment or termination of employment with us. We are involved in a number of judicial, regulatory and arbitration matters arising in connection with our business including those described below.

Pursuant to ASC Topic 450, we review the need for any loss contingency reserves, and we have established reserves for certain of these matters that we believe are adequate where, in the opinion of management, the likelihood of liability is probable and the extent of such liability is reasonably estimable. In addition, in connection with the Cowen Holdings's IPO, Cowen Holdings entered into an indemnification agreement (which we refer to as the Indemnification Agreement) with Société Générale, wherein Société Générale agreed to indemnify Cowen Holdings for all liability arising out of all known, pending or threatened litigation and arbitrations and certain specified regulatory matters that existed at the time of the Cowen Holdings IPO. The Indemnification Agreement provides that Société Générale will indemnify Cowen Holdings for all known or unknown liabilities, including litigation and related matters, arising from any business conducted by Société Générale or previously conducted by Cowen Holdings to the extent that such business was not part of the businesses conducted by Cowen Holdings at the time of the Cowen Holdings IPO. The liabilities for which Société Générale will indemnify Cowen Holdings include the costs of legal fees and related expenses incurred in connection with the indemnified matters as well as any settlements or awards. Under the Indemnification Agreement, Cowen Holdings has agreed to indemnify Société Générale for all claims made after the Cowen Holdings IPO to the extent they relate to the businesses conducted by Cowen Holdings at the time of the Cowen Holdings IPO and were not known or threatened at the time of the Cowen Holdings IPO. All of the Company's material pending legal proceedings are described below. Certain of these material proceedings, along with certain other immaterial known, pending or threatened litigations and arbitrations, are subject to indemnification by Société Générale under the Indemnification Agreement as indicated below.

In re: Initial Public Offering Securities Litigation

Cowen and Company is one of many financial institutions named as a defendant in a number of putative securities class actions entitled *In re: Initial Public Offering Securities Litigation*, filed in the United States District Court for the Southern District of New York ("SDNY") relating to numerous initial and other public offerings of common stock from approximately 1998 through 2000. The various complaints allege that the underwriters of certain IPOs, including Cowen and Company, made material misrepresentations and omissions to purchasers of the stock sold in the IPOs, thereby inflating the value of the stock. Specifically, the plaintiffs allege that the defendants failed to disclose, among other things, the purported existence of improper tie-in and compensation arrangements they had with certain purchasers of the stock and alleged conflicts of interest relating to research published by the underwriters, all in violation of federal securities laws. The district court granted plaintiffs' motion to certify six "focus" cases as class actions. Cowen and Company was a named defendant in one of these "focus" cases. Cowen and Company appealed the class certification decision to the Second Circuit Court of Appeals (the "Second Circuit") and on December 4, 2006, the Second Circuit reversed the SDNY's decision and remanded the matter for reconsideration in light of the Second Circuit's opinion. Plaintiffs petitioned for rehearing and rehearing en banc by the Second Circuit. On December 14, 2006, the SDNY stayed discovery. On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing en banc. Plaintiffs amended their complaints and revised their class definitions in an attempt to comply with the Second Circuit's December 4, 2006 decision. Defendants in the six focus cases, including Cowen and Company, moved to dismiss the amended complaints in each case and opposed plaintiffs' motion for class certification. On March 26, 2008, the SDNY denied defendants' motion to dismiss the amended complaints. On October 3, 2008, plaintiffs withdrew their motion for class certification without prejudice. On April 2, 2009, counsel for plaintiffs filed a Motion for Preliminary Approval of Settlement with the SDNY. On June 10, 2009, the SDNY granted plaintiffs' Motion for Preliminary Approval of Settlement and, on June 11, 2009, issued a Preliminary Order in Connection with Settlement Proceedings. On October 5, 2009, the SDNY issued a final order approving the settlement. On October 23, 2009, certain class members filed with the Second Circuit Court a petition pursuant to Federal Rule of Civil Procedure 23(f) for leave to appeal the portion of the SDNY's October 5, 2009 order certifying a settlement class. Separately, certain other class members filed appeals with the Second Circuit of the SDNY's final order approving the settlement. On April 16, 2010, plaintiffs filed a motion with the SDNY requesting that those class members who appealed the SDNY's final order approving the settlement be required to post appeal bonds. On June 17, 2010, the SDNY granted the motion and set the bond amount at $25,000. On July 16, 2010, those class members appealing the SDNY's final order approving the settlement posted a $25,000 appeal bond. Plaintiffs thereafter settled the objections with all but two of the objecting class members. On November 3, 2010,

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the appeal of one of the objecting class members was dismissed by the Second Circuit Court. To the extent that the Company incurs legal fees, costs or expenses related to this settlement, it will be indemnified by Société Générale.

Adelphia Communications Corp. Litigation

Cowen and Company is a named defendant in several litigations relating to Adelphia Communications, a cable company that filed for bankruptcy in June 2002. The complaints generally allege that the Rigas family, who controlled Adelphia, took advantage of Adelphia's assets, including through the use of certain loans, or "co-borrowing facilities," that allowed the family to take more than $3 billion for their private use. Cowen and Company has been named as a defendant in four actions arising out of certain offerings of Adelphia securities in which Cowen and Company participated as a member of the underwriting syndicate. All four actions are pending before the SDNY. The complaints in each of these actions raise a variety of claims arising out of the sale of Adelphia securities, including claims under the federal securities laws.

These actions are generally referred to as the "Adelphia Securities Class Action," "W.R. Huff Asset Management" (or "Huff"), "Appaloosa" and "Stocke." The SDNY granted Cowen and Company's motion to dismiss all federal securities claims brought against Cowen and Company in the Adelphia Securities Class Action. Thereafter, the financial institution defendants reached a settlement with the plaintiffs. On June 15, 2006, the SDNY preliminarily approved the settlement. A fairness hearing was held on November 10, 2006, and the settlement was approved on November 20, 2006. Cowen and Company's share of the settlement is approximately $1.7 million plus interest at 4.37% beginning December 1, 2006 (all of which is covered by the Indemnification Agreement). In November 2006, this amount was placed in an attorneys' escrow account bearing the required rate of interest. On December 8, 2006, a group of class members appealed the order approving the settlement agreement with the class plaintiffs to the Second Circuit. The SDNY also has granted in part, and denied in part, certain motions to dismiss filed by various defendants, including Cowen and Company, in Huff, Appaloosa and Stocke. On April 7, 2008, the Stocke action was dismissed by stipulation and order following a ruling by the Second Circuit that affirmed in all respects the SDNY's approval of the class settlement, which ruling is now final. Accordingly, the claims made by all class members who did not opt out, including the Stocke plaintiffs, have been dismissed and released. On April 19, 2010, the Appaloosa plaintiffs filed with the SDNY a Stipulation and Order of Dismissal with Prejudice, which was signed by the SDNY on April 20, 2010.

In addition, in August 2005, the SDNY denied Cowen and Company's motion to dismiss based on Huff's lack of standing, and subsequently granted leave to file an interlocutory appeal to the Second Circuit of that ruling. The Second Circuit granted Cowen and Company's petition to appeal under 28 U.S.C. § 1292. In December 2008, the Second Circuit held that Huff lacks standing to pursue the claims it had asserted, and remanded the case. In January 2009, the SDNY issued an order dismissing the Huff case. Huff subsequently moved to vacate the dismissal order, which was denied, and for reconsideration, which also was denied. Thereafter, Huff moved to (among other things) amend the complaint in an effort to overcome the effect of the Second Circuit's ruling. On May 21, 2009, the SDNY issued an opinion and order granting plaintiff Huff leave to amend the complaint to add the actual purchasers of the securities, but in addition, granted defendants leave to serve discovery regarding the identity of those purchasers and the circumstances under which Huff was purportedly prosecuting claims on their behalf. That discovery has now been completed, and the defendants (including Cowen and Company) have moved to dismiss many of the newly named plaintiffs. Further, following Appaloosa's amendment of the complaint, Cowen and Company (and most of the other defendants) have filed answers. Certain defendants in Appaloosa have filed a motion to dismiss challenging the newly amended complaint. Discovery in Huff and Appaloosa remains stayed until the pending motions have been resolved, which motion is still pending.

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In addition to the cases in which Cowen and Company has been named as a defendant, Cowen may also face potential liability pursuant to the applicable master agreements among underwriters for any judgments or settlements in other cases involving the Adelphia securities offerings in which Cowen participated. To the extent that the Company incurs additional legal fees or pays any fine or monetary sanction, it will be indemnified by Société Générale.

Cowen and Company was also named as one of many defendants in two related adversary proceedings that originally were filed in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). These adversary proceedings were filed by the Official Committee of Unsecured Creditors (the "Creditors' Committee") and the Official Committee of Equity Security Holders (collectively, the "Committees"). Both of these cases raised a variety of common law and federal claims, which were generally similar to the claims asserted in the Adelphia cases described above. With respect to Cowen and Company and other investment banks, the complaints taken together originally set forth claims for violation of the Bank Holding Company Act, equitable disallowance or equitable subordination, breach of fiduciary duty, aiding and abetting breach of fiduciary duty, aiding and abetting fraud, gross negligence and breach of contract, among others. Cowen and Company filed motions to dismiss the claims asserted by the Committees, which were granted in part and denied in part, by the Bankruptcy Court in two decisions issued on June 11, 2007 and August 17, 2007, respectively. Cowen and Company appealed to the SDNY those portions of the Bankruptcy Court's June 11, 2007 decision that denied Cowen and Company's motion to dismiss the claims asserted against Cowen and Company by the Creditors' Committee. On January 17, 2008, the SDNY denied Cowen and Company's appeal and affirmed, in part, the June 11, 2007 decision, with the exception of the Bank Holding Company Act claim which was dismissed against Cowen and Company and the other investment banks.

As part of the bankruptcy plan confirmation process, claims by both Committees were assigned to a litigation trust. In October 2007, the trust filed an amended complaint in the SDNY against multiple defendants, including Cowen and Company, in which it repleaded several of its claims, including, without limitation, the following claims: aiding and abetting fraud; fraudulent concealment; fraud; equitable disallowance; equitable subordination; and violation of the Bank Holding Company Act. On January 4, 2008, Cowen and Company filed an answer to the amended complaint and a joinder to a motion filed by certain investment banks seeking a dismissal of several counts in the amended complaint. On June 17, 2008, the SDNY issued an Opinion and Order dismissing certain claims contained in the amended complaint, including, without limitation, the equitable disallowance and equitable subordination claims. On May 4, 2009, the SDNY issued an opinion that resolved the pending motions to dismiss portions of the amended complaint filed by the litigation trust. In its decision, the SDNY dismissed the fraudulent concealment claim and the fraud claim as to certain alleged misstatements. The court denied the motions to dismiss the remaining claims. The litigation trust appealed the June 17, 2008 Opinion and Order issued by the SDNY, which was affirmed by the Second Circuit Court on May 26, 2010. On October 25, 2010, the Adelphia Recovery Trust and Cowen and Company, among others, settled the remaining claims pending against Cowen and Company, among others, in connection with this litigation. The settlement was approved by the SDNY at a hearing on November 18, 2010 and on January 3, 2011, the claims against the Company were voluntarily dismissed. To the extent that the Company incurs additional legal fees or pays any fine or monetary sanction, it will be indemnified by Société Générale.

In re: HealthSouth Corporation Bondholder Litigation

Cowen and Company was named as a defendant in a purported class action filed in the United States District Court for the Northern District of Alabama on January 8, 2004 as a result of Cowen and Company's predecessor's involvement as one of the initial purchasers in a March 1998 private placement of debt securities issued by HealthSouth Corporation, which were subsequently exchanged for materially identical registered securities. The complaint alleges that the offering materials for the

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private placement and the registration statement in the associated offering violated federal securities laws by failing to disclose HealthSouth's subsequently revealed accounting irregularities. On June 8, 2006, the District Court, among other things, dismissed the claims arising out of the March 1998 private placement (the only claims against Cowen and Company). On August 21, 2006, following plaintiffs' subsequent submission of amendments to the complaint, the District Court so-ordered a stipulation and order dismissing all amended counts against Cowen and Company. The dismissal was not yet a "final" judgment from which an appeal may be taken by plaintiffs. However, on July 26, 2010, the District Court for the Northern District of Alabama approved a settlement between plaintiffs and certain other defendants, entered a partial final judgment as to those defendants, and dismissed the case as to another defendant. By virtue of the District Court's rulings, plaintiffs had 30 days from July 26, 2010 to appeal the District Court's dismissal of Cowen and Company from the case. No appeal was filed. To the extent that the Company incurs additional legal fees or pays any fine or monetary sanction, it will be indemnified by Société Générale.

Madden Litigation

On June 28, 2006, a group of approximately 60 medical doctors filed a lawsuit against Cowen and Company in San Francisco Superior Court. Plaintiffs allege that Cowen and Company negligently rendered a fairness opinion in 1998 in connection with the acquisition of Orange Coast Managed Care Services and St. Joseph Medical Corporation by FPA Medical Management, Inc. ("FPA"). According to the complaint, plaintiffs received restricted FPA stock as consideration in the sale and, shortly after the acquisition, FPA went bankrupt, rendering the stock worthless. On August 14, 2006, Cowen and Company removed the case to the United States District Court for the Northern District of California (the "NDCA"). On August 17, 2006 Cowen and Company filed a motion to dismiss the complaint. Plaintiffs sought a remand to state court. On March 18, 2007, the Court granted Cowen and Company's motion to dismiss, with leave to replead, and denied plaintiffs' motion to remand. By stipulation and order dated April 20, 2007, the Court directed entry of a final judgment dismissing the complaint with prejudice. On May 17, 2007, plaintiffs filed with the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit"), a Notice of Appeal of the District Court's dismissal. On February 11, 2009, the Ninth Circuit issued an opinion vacating the NDCA's judgment and remanding the matter back to state court. On March 4, 2009, Cowen and Company filed with the Ninth Circuit a petition for panel rehearing and suggestion for rehearing en banc. On August 7, 2009, the Ninth Circuit issued an opinion denying Cowen and Company's petition for rehearing and rehearing en banc, but also superseding the February 11, 2009 opinion and remanding the matter back to the NDCA to determine whether the case should be dismissed or remanded to state court. On January 29, 2010, plaintiffs filed with the NDCA a motion to remand the case to state court and on February 12, 2010, defendants filed an opposition to that motion and moved to dismiss the complaint. On April 14, 2010, the NDCA denied Cowen and Company's motion to dismiss and granted plaintiffs' motion to remand the case to the San Francisco Superior Court. On May 20, 2010, Cowen and Company filed a demurrer in San Francisco Superior Court seeking dismissal of the complaint. On October 14, 2010, a hearing was held on the demurrer, at which time the court denied the demurrer. Cowen and Company filed an answer to the complaint on January 6, 2011. To the extent that the Company incurs additional legal fees or pays any fine or monetary sanction, it will be indemnified by Société Générale.

WorldSpace Litigation

Cowen and Company is named as an underwriter defendant in several putative securities class actions brought in the SDNY in 2007. In all of the cases, plaintiffs seek to recover for losses allegedly caused by misrepresentations and omissions in connection with the August 4, 2005 IPO of WorldSpace, Inc., a satelliteradio provider. The complaints allege that the WorldSpace prospectus referenced a subscriber count that improperly included subscribers who had stopped paying for the service and failed to disclose that WorldSpace lacked the internal systems necessary to accurately

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determine the number of subscribers to its service. On June 21, 2007, the SDNY issued an order consolidating the actions and appointing a lead plaintiff. The consolidated amended complaint was filed on August 9, 2007. On October 9, 2007, Cowen and Company filed a motion to dismiss the consolidated amended complaint, which was denied by the SDNY on July 21, 2008. On August 25, 2008, Cowen and Company filed an answer to the consolidated amended complaint. On October 17, 2008, WorldSpace filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court"). The SDNY subsequently entered a stay of the securities class action litigation in light of the ongoing WorldSpace bankruptcy proceedings. On August 16, 2010, the Delaware Bankruptcy Court granted lead plaintiff's motion for limited modification of the automatic stay to permit plaintiff to obtain document discovery from WorldSpace, effective October 14, 2010. On September 14, 2010, the SDNY lifted the stay in the securities class action litigation, permitting lead plaintiff to move forward with discovery as of October 14, 2010. The SDNY subsequently referred the matter to a magistrate and instructed the parties to submit a proposed scheduling order for discovery and an eventual motion for summary judgment.

China Sunergy Litigation

Cowen and Company is named as one of several underwriter defendants in two cases filed in the SDNY in 2007. Plaintiffs in both cases seek to recover for losses allegedly caused by misrepresentations and omissions in the prospectus relating to the May 17, 2007 IPO of China Sunergy Co. Ltd ("China Sunergy"). Principally, the complaints allege that China Sunergy's prospectus failed to disclose that China Sunergy was having difficulty obtaining sufficient raw materials to achieve its revenue objectives, and also failed to disclose that China Sunergy would likely face a loss in the second quarter of 2007. On September 29, 2008, the SDNY appointed a lead plaintiff. On December 5, 2008, the lead plaintiff filed a consolidated amended complaint, and on January 26, 2009, defendants filed a motion to dismiss that complaint. On October 16, 2009, the plaintiffs filed a Stipulation and Agreement of Settlement with the SDNY, which is pending final approval by the court.

Opnext Litigation

Cowen and Company is one of five underwriters named as defendants in two cases filed in March 2008 in the United States District Court of New Jersey ("DNJ"), relating to the February 14, 2007 IPO of Opnext, Inc. ("Opnext"). Both complaints assert claims against the underwriters under federal securities laws and allege generally that the financial statements in the registration statement and prospectus contained materially false and misleading statements and omissions, which resulted in the financial statements being restated by Opnext due to an error in the valuation of inventory consigned to one of its contract manufacturers. On June 30, 2008, the DNJ appointed a lead plaintiff, and on July 30, 2008, the lead plaintiff filed a consolidated class action complaint. The underwriter defendants filed an answer and affirmative defenses to the consolidated complaint on October 21, 2008. On January 30, 2009, the DNJ entered an order referring the matter to non-binding mediation and staying any further discovery in the litigation until April 30, 2009. On October 2, 2009, plaintiffs filed a motion for preliminary approval of settlement and, on October 6, 2009, the DNJ issued an order preliminarily approving the settlement. On January 6, 2010, the DNJ held a fairness hearing and issued an order and final judgment approving the settlement. No settlement contribution was made by the underwriter defendants, including Cowen and Company.

Global Cash Litigation

On August 18, 2008, Cowen and Company was named as a defendant, along with several other underwriters, in a consolidated complaint filed in the SDNY relating to the September 22, 2005 initial public offering and subsequent secondary offering of Global Cash Access Holdings, Inc. ("GCA") common stock. The consolidated complaint alleges generally that the registration statements and prospectuses for the GCA IPO and secondary offering were false and misleading and failed to disclose,

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among other things, that GCA incorrectly calculated the amount of commissions payable to GCA's customers and that GCA's financial statements understated the GCA's expenses and overstated net income for 2005 and 2006. On September 18, 2008, the SDNY granted a motion made by certain defendants to transfer venue of the case to the United States District Court for the District of Nevada ("DNV"). On November 14, 2008, the underwriter defendants moved to dismiss the consolidated amended complaint. On June 23, 2009, the DNV heard oral argument on defendants' motion to dismiss the consolidated amended complaint, and on June 29, 2009, the DNV issued an order denying that motion. The defendants filed an answer to the consolidated amended complaint on July 29, 2009. Certain pretrial discovery was conducted in the matter, including the production of documents, pursuant to a scheduling order entered by the DNV. On October 23, 2009, plaintiffs filed a motion for class certification. The underwriter defendants' filed an opposition to that motion on November 20, 2009. On December 16, 2009, the parties conducted a settlement mediation of the case, and shortly thereafter, a tentative settlement of the case was negotiated, pursuant to which the claims against the underwriter defendants will be dismissed, and no settlement contribution will be made by the underwriters. On February 17, 2010, a Stipulation of Settlement was executed and submitted to the DNV for preliminary and final approval. On June 25, 2010, the DNV held a fairness hearing entered a final order and judgment in which it approved and confirmed the settlement, and dismissed the litigation.

CardioNet Litigation

On March 5, 2010, Cowen and Company was named as a defendant, along with several other underwriters, in a putative class action filed in the San Diego Superior Court, in connection with an August 2008 follow-on offering for CardioNet, Inc. ("CardioNet"). The complaint alleges, among other things, that the prospectuses for CardioNet's March 2008 initial public offering (in which Cowen and Company did not participate) and subsequent follow-on equity offering (in which Cowen and Company did participate) were false and misleading and failed to disclose, among other things, that CardioNet incorrectly reported revenue and failed to disclose certain risks relating to Medicare reimbursement rates for CardioNet's services. On April 5, 2010, Cowen and Company and the other defendants moved to remove the case to the United States District Court for the Southern District of California and, on April 7, 2010, moved to transfer the case to the United States District Court for the Eastern District of Pennsylvania. On April 23, 2010, plaintiffs moved to remand the case back to California state court. The motions to transfer and remand remain pending. The Company cannot presently predict the ultimate outcome of the litigation or estimate the possible loss or range of loss, if any.

Fuqi Litigation

In March 2010, Cowen and Company was named, along with several other underwriters, as a defendant in two putative class actions filed in the SDNY in connection with a July 2009 follow-on offering for Fuqi International, Inc. ("Fuqi"). The complaint alleges, among other things, that the prospectus for Fuqi's follow-on offering was false and misleading and contained materially inaccurate financial statements that overstated Fuqi's gross profit and net income. On July 26, 2010, the court consolidated the two putative class actions in which Cowen and Company was named as a defendant with several related actions and appointed lead plaintiffs. On August 20, 2010 the court ordered that plaintiffs shall file their consolidated complaint no later than 30 days after Fuqi publicly releases its financial statements for the fiscal year ended December 31, 2009 and its restated financial statements for the periods ended March 31, June 30, and September 30, 2009. The court further ordered that defendants will have 45 days after the date on which plaintiffs file their complaint at answer, plead, or otherwise response to the complaint. The Company cannot presently predict the ultimate outcome of the litigation or estimate the possible loss or range of loss, if any.

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LaBranche Litigation

On February 22, 2011, a putative class action, captioned *Moskal v. LaBranche & Co., et. al.*, was filed in the Supreme Court of the State of New York, County of New York, naming as defendants the Company, LaBranche & Co. and members of the board of directors of LaBranche & Co. (collectively, "LaBranche"), and Louisiana Merger Sub, Inc. On February 26, 2011, a separate lawsuit was filed, captioned *Borowka v. LaBranche & Co., et al.*, in the Supreme Court of the State of New York, County of New York naming as defendants the same parties. The lawsuits challenge LaBranche's decision to sell all of its outstanding shares of common stock to the Company for $192.8 million. The complaints allege, among other things, that the Company aided and abetted the LaBranche defendants in breaching their fiduciary duties to shareholders by failing to maximize the sale price for LaBranche. The Company cannot presently predict the ultimate outcome of the litigation or estimate the possible loss or range of loss, if any.

Alphatec Litigation

On February 22, 2011, a putative class action, captioned *Mallen v. Alphatec Holdings, Inc., et. al.*, was filed in the United States District Court for the Southern District of California, naming as defendants Alphatec Holdings, Inc. ("Alphatec"), members of the Alphatec board of directors, Healthpoint Capital Partners, LLP, Healthpoint Capital Partners II, LLP, as well as Jefferies & Co., Inc., Canaccord Adams, Inc., Lazard Capital Markets, LLC, and Cowen and Company (the "Underwriter Defendants"). The complaint brings claims against the Underwriter Defendants under sections 11 and 12 of the Securities Act of 1933 for alleged materially inaccurate and misleading statements and omissions in the registration statement and prospectus for an April 2010 offering of common stock of Alphatec regarding the success of Alphatec's acquisition of a company named Scient'x. The Company cannot presently predict the ultimate outcome of the litigation or estimate the possible loss or range of loss, if any.

Lehman Brothers

Certain of the hedge funds managed by Ramius used Lehman Brothers International (Europe) ("LBIE") as one of their prime brokers and some of these funds also held assets through accounts at Lehman Brothers, Inc. ("LBI"). As a result of LBIE being placed into administration on September 15, 2008 by order of the English Court and LBI entering liquidation proceedings under the Securities Investor Protection Act of 1970, as amended, the assets, including securities and cash, held by Ramius and the hedge funds in their LBIE accounts and LBI accounts were frozen at LBIE and LBI, respectively.

The net assets of the Ramius hedge funds held at LBIE at the time of administration, which we refer to as the total net equity claim, were approximately $232.6 million. Given the great degree of uncertainty as to the status of the assets held at LBIE and the process and prospects of the return of those assets, the Company initially valued the total net equity claim at an 80% discount, or approximately $46.5 million, which the Company believed, at the time, was a reasonable estimate of value that ultimately may be recovered with respect to the total net equity claim. Since the status and ultimate resolution of the assets under LBIE's administration proceedings is uncertain, the Company decided that only the investors who were invested at the time of the administration should participate in any profit/loss relating to the estimated recoverable Lehman claim. As such, the Company has segregated the Lehman claims for the benefit of such investors for so long as they remain in the funds. These segregated Lehman claims do not earn management fees.

In November 2008, one of the hedge funds managed by Ramius was appointed as a member of the unsecured creditors' committee of LBIE and representatives of the Company have been attending regular meetings of the creditors' committee and assisting in working on potential solutions to provide a framework for returning assets to clients. In this connection, in the fall of 2009, LBIE proposed

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entering into a multilateral contract between LBIE and its clients, referred to as the Claims Resolution Agreement, or CRA, which would govern the basis on which assets can be returned by LBIE. On December 29, 2009, LBIE announced that the CRA had become effective with respect to LBIE and the signatories to the CRA, which includes the Ramius hedge funds who had assets at LBIE. The CRA included a March 19, 2010 bar date for LBIE 's trust creditors to notify LBIE of claims to any of the trust assets controlled by LBIE. Given (1) the fact that the bar date has passed and (2) the additional information Ramius has received from LBIE regarding the various components of the Ramius hedge funds' claims against LBIE, Ramius has decided to value its total net equity claim as follows: (i) the trust assets that we have been informed are within the control of LBIE and are expected to be distributed to us in the relatively near term are being valued at market less a 1% discount that corresponds to the fee that will be charged under the CRA for the return of trust assets, (ii) the trust assets that are not within the control of LBIE, but that Ramius believes are held by LBIE through LBI, are being valued at 47% which represents the present value of the mid-point between what Ramius believes are reasonable estimates of the low-side and high-side potential recovery rates with respect to its LBI exposure, (iii) the trust assets that are not within the control of LBIE and are not believed to be held through LBI are being valued at 47% US denominated Assets and 30% foreign denominated Assets, which represents Ramius's estimate of potential recovery rates with respect to this exposure and (iv) Ramius's remaining unsecured claims against LBIE are being valued at 40%, which represents Ramius's estimate of potential recovery rates with respect to this exposure.

In addition, the Company currently estimates that the combined net exposure of the hedge funds to LBI amounts to approximately $21.5 million in cash and securities. On September 19, 2008, LBI was placed in a Securities Investor Protection Corporation ("SIPC") liquidation proceeding after the filing for bankruptcy of its parent Lehman Brothers Holdings, Inc. The status of the assets under LBI's bankruptcy proceedings has not been determined. The amount that will ultimately be recovered from LBI will depend on the amount of assets available in the fund of customer property to be established by the trustee appointed under the Securities Investor Protection Act (the "SIPA Trustee") as approved by the bankruptcy court as well as the total amount of customer claims that seek recovery from the fund of customer property. Based on recent court filings by the SIPA Trustee, the total amount of customer claims exceeds the assets that are likely to be in the fund of customer property. In addition, the court filings also indicate that Barclays plc has submitted a substantial claim against LBI relating to the asset purchase agreement entered into by Barclays with LBIE near the time of the SIPC liquidation proceeding that could affect the amount of assets that are included in the fund of customer property. As a result of these uncertainties and the timing of any distributions from LBI in respect of our customer claims, Ramius estimated its recovery with respect to our LBI exposure at 47%, which represents the present value of the mid point between what it believes are reasonable estimates of the low side and high side potential recovery rates with respect to its LBI exposure. The estimated recoverable amount by the Ramius hedge funds may differ from the actual recoverable amount of the pending LBI claim, and the differences may be material.

At the end of June 2010, LBIE returned certain trust assets that were under their control. Such assets were sold in July 2010 and the subsequent proceeds distributed. As part of this distribution, the Company received $5.3 million, which represents approximately 58.62% of Company's share of the Enterprise Fund's Estimated Recoverable Lehman Claims as of June 30, 2010. We expect the balance of the trust assets within the control of LBIE to be distributed to us in the relatively near term.

As a result of Ramius being an investor in the Enterprise Fund and due to Ramius's additional direct exposure to LBIE, Ramius had a total exposure to LBIE of $3.8 million and a total exposure to LBI of $2.7 million, as of December 31, 2010. At December 31, 2010, the value of Ramius's exposure to LBIE and LBI after the mark downs discussed above, was $6.5 million.

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Regulatory Inquiries and Investigations

In addition to the civil litigation matters described above, we are also involved in a number of regulatory inquiries and investigations, which are not covered by the Indemnification Agreement. The most significant regulatory matters are as follows:

On January 13, 2010, Ramius's broker-dealer subsidiary, referred to as Ramius Securities, received a Wells Notice from FINRA's Department of Market Regulation indicating that it intended to recommend an enforcement action be brought against Ramius Securities for certain alleged violations of Regulation SHO regarding the short sale of securities. Ramius Securities responded to the Wells Notice on March 24, 2010. On November 17, 2010, FINRA closed this matter with no action against Ramius.

On April 30, 2010, Cowen and Company received a Letter of Acceptance, Waiver and Consent from FINRA's Department of Market Regulation seeking the payment of a fine and the implementation of remedial measures regarding certain alleged trade reporting violations. On June 8, 2010, Cowen and Company offered to settle the matter without admitting or denying the allegations and pay a fine. Cowen and Company's offer of settlement was accepted on August 25, 2010 and Cowen and Company paid a fine of approximately $0.1 million.

Item 4. Removed and Reserved

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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 10, 2011, there were approximately 58 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.

Prior to November 2, 2009, the common stock of Cowen Holdings had traded under the symbol "COWN" since Cowen Holdings's IPO in July 2006. Prior to November 2, 2009, our common stock was held by RCG and Cowen Holdings as restricted shares and was not publicly tradable.

The following table contains historical quarterly price information for the year ended December 31, 2010. On March 10, 2011, the last reported sale price of our common stock was $4.08.

2010 Fiscal Year	High	Low
First Quarter	$ 6.02	$ 4.84
Second Quarter	6.02	3.87
Third Quarter	4.51	2.99
Fourth Quarter	5.04	3.25

For the period from November 2, 2009 through December 31, 2009, the high trading price for the Company's Class A common stock was $9.00, and the low was $4.94.

Dividend Policy

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

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data

The following table sets forth our selected consolidated financial and other data for the years ended December 31, 2010, 2009, 2008, 2007, and 2006. The selected consolidated statements of financial condition data and consolidated statements of operations data as of and for the years ended December 31, 2010, 2009, 2008, 2007, and 2006 have been derived from our audited consolidated financial statements. Our selected consolidated financial data are only a summary and should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The selected financial data includes the

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results of Cowen Holdings for the period from November 2, 2009 through December 31, 2009 and for the year ended December 31, 2010.

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in thousands except per share data)				
Consolidated Statements of Operations Data:					
Revenues					
Investment banking	$ 38,965	$ 10,557	$	$	$
Brokerage	112,217	17,812			
Management fees	38,847	41,694	70,818	73,950	65,635
Incentive income	11,363	1,911		60,491	81,319
Interest and dividends	11,547	477	1,993	16,356	17,189
Reimbursement from affiliates	6,816	10,326	16,330	7,086	4,070
Other revenues	1,936	4,732	6,853	5,086	8,038
Consolidated Funds revenues	12,119	36,392	31,739	25,253	35,897
Total revenues	233,810	123,901	127,733	188,222	212,148
Expenses					
Employee compensation and benefits	194,919	96,592	84,769	123,511	112,433
Non-compensation expense	136,902	69,818	54,856	79,020	54,277
Goodwill impairment			10,200		
Consolidated Funds expenses	8,121	23,581	34,268	21,014	39,300
Total expenses	339,942	189,991	184,093	223,545	206,010
Other income (loss)					
Net gain (loss) on securities, derivatives and other investments	21,980	(2,154)	(2,006)	94,078	54,765
Consolidated Funds net gains (losses)	31,062	20,999	(198,485)	84,846	78,656
Total other income (loss)	53,042	18,845	(200,491)	178,924	133,421
Income (loss) before income taxes	(53,090)	(47,245)	(256,851)	143,601	139,559
Income tax expense (benefit)	(21,400)	(8,206)	(1,301)	1,397	4,814
Net income (loss)	(31,690)	(39,039)	(255,550)	142,204	134,745
Income (loss) attributable to redeemable non-controlling interests	13,727	16,248	(113,786)	66,343	74,189
Special allocation to the Managing Member				26,551	21,195
Net income (loss) attributable to Cowen Group stockholders	(45,417)	(55,287)	(141,764)	49,310	39,361
Weighted average common shares outstanding:					
Basic	73,149	41,001	37,537	37,537	37,537
Diluted	73,149	41,001	37,537	37,537	37,537
Earnings (loss) per share:					
Basic	$ (0.62)	$ (1.35)	$ (3.78)	$ 1.31	$ 1.05
Diluted	$ (0.62)	$ (1.35)	$ (3.78)	$ 1.31	$ 1.05

	As of December 31,				
	2010	2009	2008	2007	2006
Consolidated Statements of Financial Condition Data:					
Total assets	$ 1,247,170	$ 959,441	$ 797,831	$ 2,113,532	$ 2,468,195
Total liabilities	653,568	255,091	182,003	1,430,029	1,657,992

Redeemable non-controlling interests		144,346		230,825		284,936		203,523		514,761
Total Stockholders' Equity	$	449,256	$	473,525	$	330,892	$	479,980	$	295,442

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

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

Overview

Cowen Group, Inc. is a diversified financial services firm and, together with its consolidated subsidiaries provides alternative investment management, investment banking, research, and sales and trading services through its two business segments: alternative investment management and broker-dealer. The alternative investment management segment includes hedge funds, replication products, mutual funds, managed futures funds, fund of funds, real estate funds, healthcare royalty funds, cash management services, offered primarily under the Ramius name. The broker-dealer segment offers industry focused investment banking for growth-oriented companies including advisory and global capital markets origination and domain knowledge-driven research and a sales and trading platform for institutional investors, primarily under the Cowen name.

On November 2, 2009, the transactions contemplated by the Transaction Agreement (the "Transactions"), were consummated including (1) the merger of Lexington Merger Corp. with and into Cowen Holdings, pursuant to which each outstanding share of common stock of Cowen Holdings was converted into one share of Class A common stock of the Company and (2) the transfer by RCG (which prior to the consummation of the Transactions operated the Ramius business) of substantially all of its assets and liabilities to Park Exchange LLC in exchange for the Company's issuance to RCG of 37,536,826 shares of Class A common stock of the Company. Following the consummation of the Transactions, each of Park Exchange LLC and Cowen Holdings became wholly owned subsidiaries of the Company, and Park Exchange LLC was renamed Ramius LLC. Prior to the consumption of the Transactions, the Company conducted its operations through one reportable segment, the alternative investment management segment.

Our alternative investment management business had approximately $9.0 billion of assets under management as of January 1, 2011. The predecessor to this business was founded in 1994 and, through one of its subsidiaries, has been a registered investment adviser under the Investment Advisers Act since 1997. Our alternative investment management products, solutions and services include hedge funds, replication products, mutual funds, managed futures funds, fund of funds, real estate, healthcare royalty funds, and cash management services. Our institutional investors include pension funds, insurance companies, banks, foundations and endowments, wealth management organizations and family offices.

In February 2010, we integrated senior management and certain aspects of the infrastructure of our hedge fund and fund of funds businesses to improve institutional efficiency and service. In March 2010, we expanded our alternative investment management business with the formation of the Ramius Trading Strategies managed futures platform.

In July 2010, we announced the further expansion of our investment management business through the launch of our first mutual fund, the Ramius Dynamic Replication Fund. The fund focuses on replication of a custom alternative investment index and provides investors the opportunity to access market exposures typically characterized by investments in less liquid alternative investments, but with the daily liquidity of a mutual fund. The fund began trading in the beginning of August with over $120.0 million in initial capital.

Our broker-dealer businesses include research, brokerage and investment banking services to companies and institutional investor clients primarily in the healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy sectors. We provide research and brokerage services to over 1,000 domestic and international

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clients seeking to trade securities, principally in our target sectors. Historically, we have focused our investment banking efforts on small to mid-capitalization public companies as well as private companies.

In June 2010, we expanded our investment banking product offerings to include credit and fixed income, including public and private debt placements, exchange offers, consent solicitations and tender offers. We also added origination and distribution capabilities for convertible securities. In addition, we have enhanced our presence in the PIPE and registered direct market by adding personnel over the course of the year. With the addition of these capital markets capabilities we also established a unified capital markets group which we believe will allow us to be more effective in providing cohesive solutions for our clients.

In the fourth quarter of 2010, the Company recorded deferred tax benefits generated by a Luxembourg subsidiary. In the same quarter, the Company acquired four reinsurance companies in Luxembourg, including two from the master fund of one of its Consolidated Funds, offering a service program that provides reinsurance coverage to the Company against certain risks. The reinsurance companies had deferred tax liabilities and upon their purchase the deferred tax benefits referenced above fully offset these liabilities, resulting in the recognition of the deferred tax benefits. Also, the Company incurred acquisition-related legal fees, professional fees, and financing costs, as well as operational and administrative expenses in the fourth quarter of 2010 as a result of these transactions.

Success in our business is highly dependent on human capital; accordingly, compensation and benefits comprise the largest component of our expenses, and our performance is dependent upon our ability to attract, develop and retain highly skilled employees who are motivated and committed to provide the highest quality of service and guidance to our clients.

Certain Factors Impacting Our Business

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

Assets under management. Our revenues from management fees are directly linked to assets under management. As a result, the future performance of our alternative investment management business will depend on, among other things, its ability to retain assets under management and to grow assets under management from existing and new products. In addition, positive performance increases assets under management which results in higher management fees. In May 2010, the Company announced its intention to close the Ramius Multi-Strategy and the Enterprise funds. In addition, as previously disclosed, redemptions in Ramius Multi-Strategy Fund Ltd triggered certain contractual rights of affiliates of UniCredit S.p.A ("UniCredit S.p.A"), which would have allowed them to withdraw their assets held in that fund upon 30 days notice. Such affiliates of UniCredit S.p.A instead agreed, pursuant to a Modification Agreement, to extend the time period pursuant to which the Company must return the bulk of its assets in our funds to the end of 2010. As of December 31, 2010, including redemptions effective on January 1, 2011, we have returned approximately $437.5 million to affiliates of UniCredit S.p.A and these affiliates had a remaining investment of approximately $231.5 million invested in our investment vehicles, including a fund of funds managed account. A significant portion of the remaining investments held by the affiliates of UniCredit S.p.A will be returned to them in the first quarter of 2011.

Investment performance. Our revenues from incentive income are linked to the performance of the funds and accounts that we manage. Performance also affects assets under management because it influences investors' decisions to invest assets in, or withdraw assets from, the funds and accounts managed by us.

Fee and allocation rates. Our management fee revenues are linked to the management fee rates we charge as a percentage of assets under management. Our incentive income revenues are linked to the incentive allocation rates we charge as a percentage of performance driven asset growth. Our incentive allocations are subject to "high-water marks," whereby incentive income is generally earned by us only to the extent that the net asset value of a fund at the end of a measurement period exceeds the highest net asset value as of the end of the preceding measurement period for which we earned incentive income. Our incentive allocations are also subject, in some cases, to performance hurdles.

Investment performance of our own capital. We invest our own capital and the performance of such invested capital affects our revenues. As of January 1, 2011, we had investments of approximately $153.6 million, $88.8 million and $48.7 million in the Enterprise Fund (an entity which invests its capital in Ramius Enterprise Master Fund Ltd), Cowen Overseas Investment LP (COIL) and Ramius Optimum Investments LLC (ROIL), respectively.

External Factors Impacting Our Business

Our financial performance is highly dependent on the environment in which our businesses operate. 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 and 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, interest rates, exchange rate volatility, unfavorable global asset allocation trends, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in the capital markets, or a combination of these or other factors. Our businesses and profitability have been and may continue to be adversely affected by market conditions in many ways, including the following:

Our alternative investment management business was affected by the conditions impacting the global financial markets and the hedge fund industry during 2008, which was characterized by substantial declines in investment performance and unanticipated levels of requested redemptions. While the environment for investing in alternative investment products has improved the variability of redemptions could continue to affect our alternative investment management business, and it is always possible that we could intermittently experience redemptions above historical levels, regardless of fund performance.

Our broker-dealer business has been and may continue to be adversely affected by market conditions. Increased competition continues to affect the economics from our traditional equity offering business. The same factors also affect trading volumes in secondary financial markets, which affect our brokerage business. Commission rates, market volatility, increased competition from larger financial firms and other factors also affect our brokerage revenues and may cause these revenues to vary from period to period.

Our broker-dealer business focuses primarily on small to mid-capitalization and private companies in specific industry sectors. These sectors may experience growth or downturns independent of general economic and market conditions, or may face market conditions that are disproportionately better or worse than those impacting the economy and markets generally. Therefore, our broker-dealer 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.

Recent Developments

The Company has agreed to spin-off its Value and Opportunity business, which focuses on investing in deep value situations and using shareholder activism to generate superior returns, into stand-alone and independent business that will be managed by Starboard Value LP ("Starboard").

Upon completion of the spin-off, the Company will maintain a significant minority interest in Starboard. The Company expects to complete the separation by March 31, 2011.

In February 2011, the Company and LaBranche & Co Inc. ("LaBranche") announced a definitive merger agreement under which the Company has agreed to acquire LaBranche, a market-maker in options, exchange traded funds and futures on various exchanges domestically and internationally. Under the terms of the merger agreement and subject to the satisfaction or waiver of certain closing conditions, the Company will acquire LaBranche in a stock-for-stock merger transaction valued, as of the signing date, at approximately $192.8 million. LaBranche shareholders will receive upon closing a fixed ratio of 0.9980 of a share of the Company Class A common stock for each outstanding share of LaBranche common stock. The total Company shares to be issued to LaBranche shareholders will represent approximately 35.1 percent of the combined company and 33.8 percent on a fully diluted basis.

Basis of presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification as the source of authoritative accounting principles in the preparation of financials statements, of the Company appearing elsewhere in this Form 10-K 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 controlling general partner interest are consolidated with the Company pursuant to generally accepted accounting principles (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 the Consolidated Funds which are not owned by the Company are reflected as redeemable non-controlling interests in consolidated subsidiaries in the consolidated financial statements appearing elsewhere in this Form 10-K. The management fees, incentive income and other intercompany transactions from these funds are eliminated in consolidation.

The business combination between Ramius and Cowen Holdings was accounted for as an "acquisition" by Ramius of Cowen Holdings, as that term is used under accounting principles generally accepted in the United States of America ("GAAP") for accounting and financial reporting purposes. As a result, the historical financial statements of Ramius (the business of which was operated by RCG Holdings LLC, the Company's accounting predecessor, prior to the consummation of the Transactions) have become the historical financial statements of the Company. As a result, the Company's 2010 results reflect twelve months of combined operations, while 2009 results reflect twelve months of legacy Ramius and two months of legacy Cowen operations.

Revenue recognition

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

Our alternative investment management segment generates revenue through three principal sources: management fees, incentive income and investment income from our own capital.

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

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Management fees

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

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

Hedge Funds Management fees for the Company's hedge funds are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income.

Alternative Solutions Management fees for the Alternative Solutions business are generally charged at an annual rate of up to 2% of assets under management. Management fees are generally calculated monthly based on assets under management at the end of each month before incentive income or based on assets under management at the beginning of the month. Management fees earned from the Alternative Solutions are based and initially calculated on estimated net asset values and actual fees ultimately earned could be impacted to the extent of any changes in these estimates.

Real Estate Funds Management fees from the Company's real estate funds are generally charged by their general partners at an annual rate between 1% and 1.5% of total capital commitments during the investment period and of invested capital or net asset value of the applicable fund after the investment period has ended. Management fees are typically paid to the general partners on a quarterly basis, at the beginning of the quarter in arrears, and are prorated for changes in capital commitments throughout the investment period and invested capital after the investment period. The general partners of the Company's real estate funds are owned jointly by the Company and third parties. Accordingly, the management fees (in addition to incentive income and investment income) generated by these real estate funds are split between the Company and the other general partners. Pursuant to GAAP, these fees and other income received by the general partners that are accounted for under the equity method of accounting and are reflected under net gains (losses) on securities, derivatives and other investments instead of management fees.

CHRP Funds During the investment period (as defined in the management agreement of the CHRP Funds), management fees for the CHRP Funds are generally charged at an annual rate of up to 2% of committed capital. After the investment period, management fees are generally charged at an annual rate of up to 2% of assets under management. Management fees for the CHRP Funds are calculated on a quarterly basis.

Ramius Trading Strategies Management fees and platform fees for the Company's commodity trading advisory business are generally charged at an annual rate of up to 3% and 1.50%, respectively, for the levered vehicle and 1% and 0.50%, respectively, for the unlevered vehicle. Management and platform fees are generally calculated monthly based on assets under management at the end of each month.

Other The Company also provides other investment advisory services. Other management fees are primarily earned from the Company's cash management business and range from annual rates of 0.04% to 0.20% of assets, based on the average daily balances of the assets under management.

Incentive income

The Company earns incentive income based on net profits (as defined in the respective investment management agreements) of the Company's funds and certain managed accounts, allocable for each

fiscal year that exceeds cumulative unrecovered net losses, if any, that have carried forward from prior years. For the products we offer, incentive income earned is typically 20% for hedge funds and 10% for fund of funds (in certain cases in excess of a benchmark), in each case, of the net profits earned for the full year that are attributable to each fee-paying investor. Incentive income on real estate investments is earned in the year of a sale or realization of a private investment. Incentive income in the CHRP Funds is earned only after investors receive a full return of their capital plus a preferred return.

In periods following a period of a net loss attributable to an investor, the Company does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered, an arrangement commonly referred to as a "high-water mark." The Company has elected to record incentive income revenue in accordance with "Method 2" of the Financial Accounting Standards Board ("FASB") accounting standards. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in a quarter's consolidated statement of operations may be subject to reversal in a subsequent quarter as a result of subsequent negative investment performance prior to the conclusion of the fiscal year, when all contingencies have been resolved. As a result of negative investment performance in 2008, and in the case of certain real estate funds, in 2009, the Company entered 2010 with high-water marks in certain of its fund products. These high-water marks require the funds to recover cumulative losses before the Company can begin to earn incentive income in 2010 and beyond with respect to the investments of investors who previously suffered losses. In 2010, the Ramius Value and Opportunity Funds surpassed their high water marks and the Company began to earn incentive income again on these products.

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

Investment Banking

The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's target sectors of healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy.

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

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

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

Strategic/financial advisory fees The Company's strategic advisory revenues include success fees earned in connection with advising companies, both buyers and sellers, principally in mergers and acquisitions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Private placement fees The Company earns agency placement fees in non-underwritten transactions such as private placements of debt and equity securities, including, private investment in public equity transactions ("PIPEs") and registered direct transactions ("RDs"). The Company records private placement revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Brokerage

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

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

Principal Transactions, net Principal transaction revenue includes net trading gains and losses from the Company's market-making activities in fixed income and over-the-counter equity securities, listed options trading, trading of convertible securities, and trading gains and losses on inventory and other firm positions, which include warrants previously received as part of investment banking transactions. 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. These positions are typically held for a very short duration.

Equity Research Fees Equity research fees are paid to the Company for providing equity research. Revenue is recognized once an arrangement exists, access to research has been provided, the fee amount is fixed or determinable, and collection is reasonably assured.

Interest and dividends

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

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Reimbursement from affiliates

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

Other revenues

The Company receives other revenues which are unrelated to its principal sources of revenue and which may vary from year to year. Sources of such other revenues primarily include other fees earned from real estate entities and deferred gains from a sale of an asset.

Expenses

The Company's expenses consist of compensation and benefits, interest expense and general, administrative and other expenses.

Compensation and Benefits. Compensation and benefits is comprised of salaries, benefits, discretionary cash bonuses and equity-based compensation. Annual incentive compensation is variable, and the amount paid is generally based on a combination of employees' performance, their contribution to their business segment, and the Company's performance. Generally, compensation and benefits comprise a significant portion of total expenses, with annual incentive compensation comprising a significant portion of total compensation and benefits expenses.

Interest and Dividends. Amounts included within interest and dividend expense primarily relate to interest incurred on the Company's revolving line of credit.

General, Administrative and Other. General, administrative and other expenses are primarily related to professional services, occupancy and equipment, business development expenses, communications, insurance and other miscellaneous expenses. These expenses may also include certain one-time charges and non-cash expenses.

Consolidated Funds Expenses. Certain funds are consolidated by the Company pursuant to GAAP. As such, the Company's consolidated financial statements reflect the expenses of these consolidated entities and the portion attributable to other investors is allocated to a non-controlling interest.

Income Taxes

Prior to November 2009, Ramius, the accounting predecessor of the Company, operated as a limited liability company that was treated as a partnership and was not subject to U.S. federal or state income taxes. However, as a partnership, Ramius was subject to New York City unincorporated business tax, on its business and investment activities conducted in New York City. In 2010 and in the future, the Company will be subject to U.S. federal, state and city taxation as a corporation. The Company is also subject to foreign taxation on income it generates in certain countries.

The Company records deferred tax assets and liabilities for the future tax benefit or expense that will result from differences between the carrying value of its assets for income tax purposes and for financial reporting purposes, as well as for operating or capital loss and tax credit carryovers. A valuation allowance is recorded to bring the net deferred tax assets to a level that, in management's

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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. As of December 31, 2010, the Company recorded a valuation allowance against substantially all of its net deferred tax assets.

As of December 31, 2010, the Company recorded tax receivables resulting from refund claims stemming from the carry back of net operating losses to the Company's 2006 tax return. The Company received $4.1 million related to one of its refund claims in June 2010.

Redeemable Non-controlling Interests

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

Assets Under Management and Fund Performance

Assets Under Management

Assets under management refer to all of our alternative investment management products, solutions and services including hedge funds, replication products, mutual funds, managed futures funds, fund of funds, real estate, healthcare royalty funds, cash management services and mortgage advisory services. Assets under management also include the fair value of assets we manage pursuant to separately managed accounts, collateralized debt obligations for which we are the collateral manager, and, as indicated in the footnotes to the table below, proprietary assets which the Company has invested in these products. Also, as indicated, assets under management for certain products represent committed capital and certain products where the Company owns a portion of the general partners.

As of January 1, 2011, the Company had assets under management of $9.0 billion, an 8.75% increase as compared to assets under management of $8.3 billion as of December 31, 2009. The $728 million increase in assets under management during the year ended 2010 resulted from $578 million in net subscriptions (this includes redemptions during the year ended 2010, including redemptions effective on January 1, 2011, of $824 million, which represents assets returned to investors as a result of closing the Ramius Multi-Strategy Fund and the Enterprise Fund and the return of assets to UniCredit pursuant to the terms of Modification Agreement), and a $150 million performance-related increase in assets.

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The following table is a breakout of total assets under management by platform as of January 1, 2011.

Platform	Total Assets under Management (dollars in millions)		Primary Strategies
Hedge Funds	$	1,385(1)	Multi-Strategy
			Single Strategy
Alternative Solutions(2)		1,750(2)	Multi-Strategy
			Single Strategy
			Customized Solutions
			Hedging Strategies
		1,125	Commodity Trading Advisory
Real Estate(3)		1,628(4)	Debt
			Equity
Cowen Healthcare Royalty Partners(5)		1,041(4)	Royalty Interests
Other(6)		2,113	Cash Management
			Mortgage Advisory
Total	$	9,042	

(1) This amount includes the Company's invested capital of approximately $154 million as of January 1, 2011.

(2) This amount includes the Company's invested capital of approximately $32 million (which includes the notional amount of one of the fund of funds products) as of January 1, 2011.

(3) The Company owns between 30% and 55% of the general partners of the real estate business. We do not possess unilateral control over any of these general partners.

(4) This amount reflects committed capital.

(5) The Company shares the management fees from the CHRP Funds equally with the founders of the CHRP Funds. In addition, the Company receives a share of the carried interests of the general partners of the CHRP Funds of between 32.1% and 40.2%.

(6) The Company's cash management services business provides clients with investment guidelines for managing cash and establishes investment programs for managing their cash in separately managed accounts. The Company also provides mortgage advisory services where the Company manages collateralized debt obligations ("CDOs") held by investors and liquidates CDOs that were historically managed by others.

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The following table presents total assets under management by period:

	January 1, 2011	Year ended December 31, 2010	2009	2008	2007
			(dollars in thousands)		
Beginning Assets under Management	$ 9,276,278	$ 8,313,638	$ 9,765,230	$ 12,900,355	$ 9,592,135
Net Subscriptions (Redemptions)	(234,832)	812,555	(1,780,117)(2)	(1,066,714)	2,601,939
Net Performance(1)		150,085	328,525	(2,068,411)	706,281
Ending Assets under Management	$ 9,041,446	$ 9,276,278	$ 8,313,638	$ 9,765,230	$ 12,900,355

(1) Net performance is net of all management and incentive fees and includes the effect of any foreign exchange translation adjustments and leverage in certain funds.

(2) Net redemptions for 2009 include $807 million of capital commitments to the CHRP Funds that were part of Cowen Holdings prior to the Transactions.

Fund Performance

The year 2010 was marked by a reversal in investors' appetite for risk assets. The year was also noteworthy for market participants' changing views on global economic activity and their focus on the effect of increased government intervention and new global policy initiatives. In effect, macro considerations seemed to play a larger role in almost every investment strategy.

Ramius investment vehicles ended the year with positive results in each category. A combination of well-timed hedges earlier in the year, followed by solid execution in creating liquidity, provided investors in the multi-strategy funds with positive returns even as assets were being liquidated and distributions made. In 2010, the directly managed hedge funds as well as the customized hedge fund of funds portfolios have either met or exceeded the parameters of their individual mandates. In addition, longer-dated investment vehicles in areas such as real estate enjoyed higher valuations, rebounding sharply from 2009.

The table below sets forth performance information as of December 31, 2010, for the Company's funds with assets greater than $200 million as well as information with respect to the firm's single-strategy hedge funds and RTS funds. The performance reflected below is representative of the net return of the most recently issued full fee paying class of fund interests offered for the respective fund. The net returns are net of all management and incentive fees, and are calculated monthly based on the change in an investor's current month ending equity as a percentage of their prior month's ending equity, adjusted for the current month's subscriptions and redemptions. Such returns are compounded monthly in calculating the final net year to date return. Performance information for the CHRP Funds are not presented due to existing confidentiality provisions.

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The following table presents fund performance for the year ended December 31, 2010, 2009, and 2008:

			Performance for Year Ended December 31,		
Platform	**Strategy**	**Largest Fund(1)**	**2010**	**2009**	**2008**
Hedge Funds	Single Strategy	Ramius Value and Opportunity Fund Ltd. *(Inception Mar. 1, 2006)*	31.70%	16.88%	(20.81)%
		Ramius Global Credit Fund LP *(Inception Oct. 1, 2009)*	17.68%(4)	n/a	n/a
		Ramius Enterprise LP *(Inception Jan. 1, 2008)*	3.53%(2)	4.92%	(25.38)%(2)
Alternative Solutions	Managed Accounts	Activist Portfolio with Hedging Overlay *(Inception Sept. 1, 2007)*	6.93%	12.03%	(8.90)%
	Global Macro/Managed Futures	RTS Global Fund LP *(Inception Mar. 1, 2010)*	4.61%(4)	n/a	n/a
		RTS Global 3X Fund LP *(Inception Mar. 1, 2010)*	18.51%(4)	n/a	n/a
Real Estate	Debt	RCG Longview Debt Fund IV, L.P.(3) *(Inception Nov. 12, 2007)*	14.48%	(19.46)%	(8.57)%
	Equity	RCG Longview Equity Fund, L.P.(3) *(Inception Nov. 22, 2006)*	21.74%	(0.87)%	(14.85)%
Other	Cash Management		0.96%	(0.28)%	3.67%

(1) Products included above represent funds and accounts with assets under management greater than $200 million (excluding CHRP and Ramius Multi-Strategy Fund Ltd), the Company's single-strategy funds and the Ramius Trading Strategies funds. Ramius Multi-Strategy Fund Ltd and Ramius Enterprise LP have been closed to new investors and we began winding down these funds in 2010. Ramius Enterprise LP has been included above as the firm maintains a substantial proprietary equity investment in this entity. The inception date for a fund or account represent the initial date that the fund or account accepted capital from third party investors. As of January 1, 2011, the net assets of the funds presented above were $3.6 billion, or 40% of the total assets under management as of January 1, 2011 of $9.04 billion. Excluded from the table above are funds and managed accounts with $5.44 billion, or 60%, of total assets under management as of January 1, 2011. These include a total of 63 smaller individual funds and managed accounts, the Ramius Multi-Strategy Fund Ltd and the Cowen Healthcare Royalty Partners funds.

(2) Performance does not reflect any increase in valuation for Lehman Brothers International (Europe) ("LBIE") assets which have been segregated.

(3) Returns for each year represent net internal rates of return to limited partners after management fees and incentive allocations, if any, and are computed on a year-to-year basis consistent with industry standards. Incentive allocations are computed based on a hypothetical liquidation of net assets of each fund as of the balance sheet date. Returns are calculated for the investors as a whole. The computation of such returns for an individual investor may vary from these returns based on different management fee and incentive arrangements and the timing of capital transactions. The hypothetical liquidation value may not reflect the ultimate value that may be realized from the real estate investments, particularly given the relatively long period of time that the real estate investments may be held under the terms of the real estate fund documents.

(4) Performance reflects application of the fee terms applicable to the Class B interests, which is the class of interests offered by the Fund beginning on July 1, 2010. As a result, the 2010 year to date data is pro forma for the period beginning on January 1, 2010 and ending on June 30, 2010.

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Results of Operations

To provide comparative information of the Company's operating results for the periods presented, a discussion of Economic Income of our alternative investment management and broker-dealer segments follows the discussion of our total consolidated GAAP results. Economic Income reflects, on a consistent basis for all periods presented in the Company's consolidated financial statements, income earned from the Company's funds and managed accounts and from its own invested capital. Economic Income excludes certain adjustments required under GAAP. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company Segment Analysis and Economic Income," and Note 21 to the Company's consolidated financial statements, appearing elsewhere in this Form 10-K, for a reconciliation of Economic Income to total Company net income (loss).

Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009

The Company's 2010 results reflect twelve months of combined operations, while 2009 results reflect twelve months of legacy Ramius and two months of legacy Cowen.

Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009
Consolidated Statements of Operations

	Year ended December 31,		Period to Period	
	2010	**2009**	**$ Change**	**% Change**
	(dollars in thousands)			
Revenues				
Investment banking	$ 38,965	$ 10,557	$ 28,408	269.1%
Brokerage	112,217	17,812	94,405	530.0%
Management fees	38,847	41,694	(2,847)	(6.8)%
Incentive income	11,363	1,911	9,452	494.6%
Interest and dividends	11,547	477	11,070	NM
Reimbursement from affiliates	6,816	10,326	(3,510)	(34.0)%
Other revenue	1,936	4,732	(2,796)	(59.1)%
Consolidated Funds revenues	12,119	36,392	(24,273)	(66.7)%
Total revenues	**233,810**	**123,901**	**109,909**	**88.7%**
Expenses				
Employee compensation and benefits	194,919	96,592	98,327	101.8%
Interest and dividends	8,971	1,601	7,370	460.3%
General, administrative and other expenses	127,931	68,217	59,714	87.5%
Consolidated Funds expenses	8,121	23,581	(15,460)	(65.6)%
Total expenses	**339,942**	**189,991**	**149,951**	**78.9%**
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	21,980	(2,154)	24,134	NM
Consolidated Funds net gains (losses)	31,062	20,999	10,063	47.9%
Total other income (loss)	**53,042**	**18,845**	**34,197**	**181.5%**
Income (loss) before income taxes	**(53,090)**	**(47,245)**	**(5,845)**	**12.4%**
Income taxes expense (benefit)	(21,400)	(8,206)	(13,194)	160.8%
Net income (loss)	**(31,690)**	**(39,039)**	**7,349**	**(18.8)%**
Income (loss) attributable to redeemable non-controlling interests	13,727	16,248	(2,521)	(15.5)%
Net income (loss) attributable to Cowen Group stockholders	**$ (45,417)**	**$ (55,287)**	**$ 9,870**	**(17.9)%**

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Revenues

Investment Banking

Investment banking revenues increased $28.4 million, or 269.1%, to $38.9 million for the year ended December 31, 2010 compared with $10.6 million in 2009. The 2009 revenues represent the investment banking activity for the period from November 2, 2009 to December 31, 2009, compared to a full year in 2010.

Brokerage

Brokerage revenues increased $94.4 million, or 530.0%, to $112.2 million for the year ended December 31, 2010 compared with $17.8 million in 2009. The 2009 revenues represent the brokerage activity for the period from November 2, 2009 to December 31, 2009, compared to a full year in 2010.

Management Fees

Management fees decreased $2.8 million, or 6.8%, to $38.8 million for the year ended December 31, 2010 compared with $41.7 million in 2009. The decrease was a result of returning assets to investors in 2010, as a result of closing the Ramius Multi-Strategy and Ramius Enterprise funds, and the return of assets to, and no longer charging management fees, to certain affiliates of UniCredit S.p.A effective July 1, 2010, pursuant to the terms of the Modification Agreement. This was partially offset by increases in assets under management in our single-strategy funds.

Incentive Income

Incentive income increased $9.5 million to $11.4 million for the year ended December 31, 2010, compared to $1.9 million in 2009. The incentive income in 2010 is primarily a result of (i) the performance fees related to the Ramius Value and Opportunity Master Fund Ltd surpassing its high-water marks, (ii) two fund of funds managed accounts that have also surpassed their high-water marks and hurdles during the year and (iii) the performance of the Ramius Global Credit Master Fund Ltd.

Interest and Dividends

Interest and dividends increased $11.1 million to $11.5 million for the year ended December 31, 2010 compared with $0.5 million in 2009. The increase was primarily attributable to an increase in interest income resulting from an increased number of investments in interest bearing securities during 2010 compared to 2009.

Reimbursements from Affiliates

Reimbursements from affiliates decreased $3.5 million, or 34.0%, to $6.8 million for the year ended December 31, 2010 compared with $10.3 million in 2009. The decrease was attributable to a decrease in assets under management associated with the funds from which the Company receives the majority of its reimbursements.

Other Revenue

Other revenue decreased $2.8 million, or 59.1%, to $1.9 million for the year ended December 31, 2010 compared with $4.7 million in 2009. The higher amount in 2009 was primarily related to a $1.9 million one-time legal settlement claim.

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Consolidated Funds Revenues

Consolidated Funds revenues decreased $24.2 million, or 66.7%, to $12.1 million for the year ended December 31, 2010 compared with $36.4 million in 2009. The decrease was primarily attributable to a decrease in Enterprise Fund's holdings of interest bearing securities due to unwinding of its investments.

Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $98.3 million, or 101.8%, to $195.0 million for the year ended December 31, 2010 compared with $96.6 million in 2009. The increase was due to the impact of including two months of compensation and benefits expense associated with the legacy Cowen Holdings business in 2009 compared with twelve months in 2010, partially offset by lower accruals for incentive compensation and lower base salaries and benefit expense associated with a reduction in head count in 2010 compared to 2009.

Interest and Dividends

Interest and dividend expense increased $3.3 million, or 203.4%, to $4.9 million for the year ended December 31, 2010 compared with $1.6 million in 2009. Interest and dividends expense relates to interest on our credit facility in addition to increased trading activity with respect to the Company's investments.

General, Administrative and Other Expenses

General, administrative and other expenses increased $59.7 million, or 87.5%, to $128 million for the year ended December 31, 2010 compared with $68.2 million in 2009. The increase was due to the impact of including two months of general, administrative and other expense associated with the legacy Cowen Holdings business during 2009 compared with twelve months of 2010, or $62.2 million, partially offset by implementing approximately $2.5 million of cost savings related to the integration of systems and facilities related to the Transactions.

Consolidated Funds Expenses

Consolidated Funds expenses decreased $15.5 million, or 65.6%, to $8.1 million for the year ended December 31, 2010 compared with $23.6 million in 2009. The decrease was attributable to a decrease in interest expense recognized by the Enterprise Fund due to a decrease in short holdings of interest bearing securities, due to unwinding of its investment portfolio.

Other Income (Loss)

Other income (loss) increased $34.2 million, or 181.5%, to $53.0 million for the year ended December 31, 2010 compared with $18.8 million in 2009. This primarily relates to an increase of $24.1 million in the performance of the Company's directly owned traded invested capital. In addition, the increase in consolidated funds net gains (losses) of $10.1 million was primarily attributable to the performance of RTS Global 3x Fund LP, which was consolidated by the Company in the first quarter of 2010 and a decrease in net losses from derivative activities in The Enterprise Fund. This was partially offset by the decrease in the performance of certain of Ramius consolidated multi-strategy funds and The Enterprise Fund due to the closing and ongoing wind down of these funds in 2010. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to a non-controlling interest.

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Income Taxes

Income tax benefit increased $13.2 million to $21.4 million for the year ended December 31, 2010 from $8.2 million in 2009. The Company's tax benefit increased primarily due to a $16.2 million increase in deferred tax benefits recorded pursuant to an Advance Tax Agreement upon the acquisition, by a consolidated subsidiary of the Company as part of a reinsurance service program, of Luxembourg reinsurance companies that carry deferred tax liabilities; partially offset by the recognition in 2009 of a $2.0 million benefit related to net operating loss carryback claims and $0.6 million of higher foreign taxes recorded by the Company's foreign subsidiaries resulting from increased pre-tax income, during 2010.

Income (Loss) Attributable to Redeemable non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests decreased by $2.5 million to $13.7 million for the year ended December 31, 2010 compared with $16.2 million in 2009. The period over period change was the result of an decrease in performance in the Consolidated Funds, primarily driven by Enterprise Master which has been in the process of closing and other consolidated multi strategy funds in wind down during 2010.

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Year Ended December 31, 2009 Compared with the Year Ended December 31, 2008

The Company's 2009 results reflect twelve months of legacy Ramius results and two months of legacy Cowen Holdings results. The Company's 2008 results reflect twelve months of legacy Ramius results only.

Year Ended December 31, 2009 Compared with the Year Ended December 31, 2008
Consolidated Statements of Operations

	Year ended December 31,		Period to Period	
	2009	2008	$ Change	% Change
	(dollars in thousands)			
Revenues				
Investment banking	$ 10,557	$	$ 10,557	NM
Brokerage	17,812		17,812	NM
Management fees	41,694	70,818	(29,124)	(41.1)%
Incentive income	1,911		1,911	NM
Interest and dividends	477	1,993	(1,516)	(76.1)%
Reimbursement from affiliates	10,326	16,330	(6,004)	(36.8)%
Other revenue	4,732	6,853	(2,121)	(30.9)%
Consolidated Funds revenues	36,392	31,739	4,653	14.7%
Total revenues	**123,901**	**127,733**	**(3,832)**	**(3.0)%**
Expenses				
Employee compensation and benefits	96,592	84,769	11,823	13.9%
Interest and dividends	1,601	1,820	(219)	(12.0)%
General, administrative and other expenses	68,217	53,036	15,181	28.6%
Goodwill impairment		10,200	(10,200)	(100.0)%
Consolidated Funds expenses	23,581	34,268	(10,687)	(31.2)%
Total expenses	**189,991**	**184,093**	**5,898**	**3.2%**
Other income (loss)				
Net gain (loss) on securities, derivatives and other investments	(2,154)	(2,006)	(148)	7.4%
Consolidated Funds net gains (losses)	20,999	(198,485)	219,484	(110.6)%
Total other income (loss)	**18,845**	**(200,491)**	**219,336**	**(109.4)%**
Income (loss) before income taxes	**(47,245)**	**(256,851)**	**209,606**	**(81.6)%**
Income taxes expense (benefit)	(8,206)	(1,301)	(6,905)	530.7%
Net income (loss)	**(39,039)**	**(255,550)**	**216,511**	**(84.7)%**
Income (loss) attributable to redeemable non-controlling interests	16,248	(113,786)	130,034	(114.3)%
Net income (loss) attributable to Cowen Group stockholders	**$ (55,287)**	**$ (141,764)**	**$ 86,477**	**(61.0)%**

Revenues

Investment Banking

Investment banking revenues were $10.6 million for the year ended December 31, 2009, representing the investment banking activity of Cowen Holdings for the period from November 2, 2009

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through December 31, 2009. There were no investment banking revenues in 2008 as the historic results of operations only reflect the legacy Ramius business.

Brokerage

Brokerage revenues were $17.8 million for the year ended December 31, 2009, representing the brokerage activity of Cowen Holdings for the period from November 2, 2009 through December 31, 2009. There were no brokerage revenues in 2008 as the historic results of operations only reflect the legacy Ramius business.

Management Fees

Management fees decreased $29.1 million, or 41%, to $41.7 million for the year ended December 31, 2009 compared with $70.8 million in 2008. The decrease was primarily due to the lower level of assets under management in 2009 relative to the prior year.

Incentive Income

Incentive income was $1.9 million for the year ended December 31, 2009, compared to no incentive income for 2008. In addition, due to losses in 2008, many of our funds now have high-water marks such that Ramius will not earn incentive income with respect to the assets of the fund investors who suffered such losses in 2008 until these investors recover their losses. Incentive income earned in 2009 relates primarily to fees earned on one of our fund of funds products that went over its high water mark in December 2009.

Interest and Dividends

Interest and dividends decreased $1.5 million, or 76%, to $0.5 million for the year ended December 31, 2009, compared with $2.0 million in 2008. The decrease was primarily attributable to a combination of lower average interest rates and lower average interest bearing assets in 2009 compared with 2008.

Reimbursements from Affiliates

Ramius's reimbursements from affiliates decreased $6.0 million, or 37%, to $10.3 million for the year ended December 31, 2009 compared with $16.3 million for 2008. The decrease was attributable to lower assets under management in 2009 as the Company generally limits such allocations based on a percentage of assets under management.

Other Revenue

Other revenue decreased $2.2 million, or 31%, to $4.7 million for the year ended December 31, 2009 compared with $6.9 million in 2008. The decrease was primarily due to the elimination of stock loan fee income as the Company exited that business in the fourth quarter of 2008, and the reduction of placement fee income. The Company exited the placement agent business in the third quarter of 2009.

Consolidated Funds Revenues

Consolidated Funds revenues increased $4.7 million, or 14.7%, to $36.4 million for the year ended December 31, 2009 compared with $31.7 million in 2008. The increase was primarily attributable to an increase in the interest and dividends earned by the Enterprise Fund due to a larger concentration in fixed income securities.

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Expenses

Employee Compensation and Benefits

Employee compensation and benefits expenses increased $11.8 million, or 14%, to $96.6 million for the year ended December 31, 2009 compared with $84.8 million in 2008. The increase was due to the impact of including two months of compensation and benefits expense associated with the legacy Cowen Holdings business, partially offset by lower accruals for incentive compensation and lower base salaries and benefit expense associated with a reduction in head count in 2009 compared to 2008 for the legacy Ramius business.

Interest and Dividends

Interest and dividend expense remained substantially unchanged at $1.6 million for the year ended December 31, 2009 compared to $1.8 million for 2008. Interest expense relates primarily to interest on our credit facility.

General, Administrative and Other Expenses

General, administrative and other expenses increased $15.2 million, or 29%, to $68.2 million for the year ended December 31, 2009 compared with $53.0 million in 2008. This increase was primarily due to the inclusion of two months of activity for Cowen Holdings after the closing of the Transactions in 2009, professional, advisory and other fees related to the Transactions, and legal fees incurred in connection with an arbitration initiated by the Company in 2009. These increases were partially offset by a decrease in occupancy and equipment, as a result of the Company subleasing its former office space for the entire year ended December 31, 2009 compared to only the final eight months of 2008, and a decrease in client service and business development expenses. The Company does not expect to incur additional expense in connection with the arbitration matter referenced above and expects that transaction related expenses, if any, to be minimal.

Consolidated Funds Expenses

Consolidated Funds expenses decreased $10.7 million, or 31.2%, to $23.6 million for the year ended December 31, 2009 compared with $34.3 million in 2008. The decrease was attributable to a decrease in interest and dividend expense recognized by the Enterprise Fund due to a general decrease in interest rates.

Goodwill Impairment

The Company recorded a goodwill impairment charge of $10.2 million for the year ended December 31, 2008. This non-cash charge related to the impairment of its then 50% ownership of the fund of funds business. In the fourth quarter of 2008, the Company conducted its annual goodwill impairment test and, due to the decline in assets under management and the resulting decline in expected management fees and incentive income, recognized an impairment. There were no goodwill impairment charges recorded in the year ended December 31, 2009.

Other Income (Loss)

Other income (loss) increased $219.3 million to income of $18.8 million for the year ended December 31, 2009 compared to a loss of $200.5 million in 2008. The increase is a result of positive fund performance in the current year period versus negative performance in the prior year period as a result of the general unprecedented levels of market volatility, and liquidity constraints that began in the third quarter of 2008 and affected almost every asset class globally. As previously described, the Company invests its own capital primarily in the Enterprise Fund with any gains or losses from the Company's investment in the Enterprise Fund shown under Consolidated Funds for that period. The gains and losses shown under Consolidated Funds reflect the consolidated total performance for such funds, and the portion of those gains or losses that are attributable to other investors is allocated to a non-controlling interest.

Income Taxes

Income tax benefit increased $6.9 million to $8.2 million for the year ended December 31, 2009 from $1.3 million in 2008. The increase was primarily related to a tax benefit of $6.0 million representing the Company's proportionate share of deferred tax benefits generated by the master fund of one of the Consolidated Funds. During the third quarter of 2009, this master fund acquired reinsurance companies in Luxembourg as part of a service program that provides reinsurance coverage to the master fund. In order to obtain reinsurance coverage against certain risks, this master fund, through a local subsidiary, acquired reinsurance companies in Luxembourg that had deferred tax liabilities. Pursuant to an Advance Tax Agreement, upon these purchases, the local subsidiary generated deferred tax assets that fully offset these liabilities, resulting in the recognition of the deferred tax benefit.

(Income) Loss Attributable to Redeemable non-controlling Interests

Income (loss) attributable to redeemable non-controlling interests increased $130.0 million, to a gain of $16.2 million for the year ended December 31, 2009 compared with a loss of $113.8 million in 2008. The period over period change was the result of improved performance in certain of the Consolidated Funds.

Segment Analysis and Economic Income (Loss)

Segments

Prior to the consummation of the Transactions, the Company conducted its operations through one reportable segment, the alternative investment management segment, which provides management services to its hedge funds, fund of funds, real estate and other investment platforms. Following the combination of Ramius and Cowen Holdings, the Company conducts its operations through two segments: an alternative investment management segment and a broker-dealer segment. The Company's alternative investment management segment currently includes its hedge funds, fund of funds, real estate and other investment platforms businesses, as well as CHRP, which was a legacy Cowen operating business prior to the Transactions. The Company's broker-dealer segment currently includes its investment banking, brokerage and equity research businesses.

Economic Income (Loss)

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

Our Economic Income (Loss) may not be comparable to similarly titled measures used by other companies. We use Economic Income (Loss) as a measure of each segment's operating performance, not as a measure of liquidity. Economic Income (Loss) should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. As a result of the adjustments made to arrive at Economic Income (Loss), Economic Income (Loss) has limitations in that it does not take into account certain items included or excluded under GAAP, including our

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Consolidated Funds. Economic Income (Loss) is considered by management as a supplemental measure to the GAAP results to provide a more complete understanding of each segment's performance as measured by management. For a reconciliation of Economic Income to GAAP net income (loss) for the periods presented and additional information regarding the reconciling adjustments discussed above, see Note 21 to the Company's audited consolidated financial statements included in this Form 10-K.

In general, Economic Income (Loss) is a pre-tax measure that (i) presents the Company's results of operations without the impact resulting from the consolidation of any of the Company's funds, (ii) excludes goodwill impairment (although there were no goodwill impairment charges in either period presented), (iii) excludes allocations to the managing member, as there will be no such allocations in the future (although there were no allocations made to the managing member in either period presented), and (iv) excludes the reorganization expenses for the Transactions (in the 2009 period only) and one-time equity awards made in connection with the Transactions (in the 2010 period only). In addition, Economic Income (Loss) revenues include investment income that represents the income the Company has earned in investing its own capital, including realized and unrealized gains and losses, interest and dividends, net of associated investment related expenses. For GAAP purposes, these items are included in each of their respective line items. Economic Income revenues also include management fees, incentive income and investment income earned through the Company's investment as a general partner in certain real estate entities. For GAAP purposes, all of these items are recorded in other income (loss). In addition, Economic Income (Loss) expenses are reduced by reimbursement from affiliates, which for GAAP purposes is presented gross as part of revenue.

Economic Income Revenues

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

Our alternative investment management segment generates Economic Income revenues through three principal sources: management fees, incentive income and investment income from our own capital. Management fees are directly impacted by any increase or decrease in assets under management, while incentive income is impacted by our funds' performance and any increase or decrease in assets under management. Investment income from the Company's own capital is impacted by the performance of the funds and other securities in which our capital is invested, which is principally the Enterprise Fund. The Company periodically receives other Economic Income revenue which is unrelated to our own invested capital or our activities on behalf of the Company's funds, such as certain placement fee income received by a non-wholly owned subsidiary that engaged in the distribution of interests in the real estate funds.

Our broker-dealer segment generates Economic Income revenues through two principal sources: investment banking and brokerage. The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. Investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's target sectors of healthcare, technology, media and telecommunications, consumer, aerospace and defense, financial technology, REITs and alternative energy. The Company's brokerage revenues consist of commissions, principal transactions and fees paid for equity research. Management reviews brokerage revenue on a combined basis as the vast majority of the revenue is derived from the same group of clients. The Company derives its brokerage revenue primarily from trading equity and equity-linked securities on behalf of institutional investors. The majority of the Company's trading gains and losses are a result of activities that support the facilitation of client orders in both listed and over-the-counter securities, although all trading gains and losses are recorded in brokerage.

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Economic Income Expenses

The Company's Economic Income expenses consist of compensation and benefits, non-compensation expenses fixed and non-compensation expenses variable, less reimbursement from affiliates.

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. Non-wholly-owned entities included Ramius Alternative Solutions LLC, in the 2009 period only, as subsequent to the Transactions that entity became a wholly-owned subsidiary of the Company.

Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009

For the year ended December 31, 2010, the Company's alternative investment management segment includes twelve months of its hedge funds, replication products, mutual funds, managed futures fund, fund of funds, real estate funds, healthcare royalty funds, cash management services and other investment platforms operating results. In addition, the alternative investment management segment includes twelve months of CHRP's operating results for the year ended December 31, 2010, as a result of the Transactions. For the year ended December 31, 2009, the Company's alternative investment management segment includes twelve months of its hedge funds, fund of funds, real estate and other investment platforms operating results. In addition, the alternative investment management segment includes two months of CHRP's operating results in 2009, as a result of the Transactions.

For the year ended December 31, 2010, the Company's broker-dealer segment includes twelve months of its investment banking and brokerage businesses' operating results. For the year ended December 31, 2009, the Company's broker-dealer segment includes two months of its investment banking and brokerage businesses' operating results as the historic results of operations reflect the legacy Ramius business only.

	Year ended December 31, 2010			Year ended December 31, 2009			Total Period-to-Period	
	Alternative Investment Management	Broker-Dealer	Total 2010	Alternative Investment Management	Broker-Dealer	Total 2009	$ Change	% Change
	(dollars in thousands)							
Economic Income Revenues								
Investment banking	$	$ 38,965	$ 38,965	$	$ 10,557	$ 10,557	$ 28,408	269.1%
Brokerage		112,217	112,217		17,812	17,812	94,405	530.0%
Management fees	51,440		51,440	53,940		53,940	(2,500)	(4.6)%
Incentive income (loss)	9,615		9,615	(6,996)		(6,996)	16,611	(237.4)%
Investment income (loss)	59,638	(221)	59,417	21,958		21,958	37,459	170.6%
Other revenue	932	7	939	3,536		3,536	(2,597)	(73.4)%
Total economic income revenues	**121,625**	**150,968**	**272,593**	**72,438**	**28,369**	**100,807**	**171,786**	**170.4%**
Economic Income Expenses								
Compensation and benefits	58,831	127,062	185,893	63,207	30,032	93,239	92,654	99.4%
Non-compensation expenses Fixed	29,894	64,255	94,149	41,889	10,946	52,835	41,314	78.2%
Non-compensation expenses Variable	6,672	27,022	33,694	3,467	3,674	7,141	26,553	371.8%
Reimbursement from affiliates	(7,315)		(7,315)	(11,044)		(11,044)	3,729	(33.8)%
Total economic income expenses	**88,082**	**218,339**	**306,421**	**97,519**	**44,652**	**142,171**	**164,250**	**115.5%**
Net economic income (loss) (before non-controlling interest)	33,543	(67,371)	(33,828)	(25,081)	(16,283)	(41,364)	7,536	(18.2)%

Non-controlling interest	(1,759)		(1,759)	(602)		(602)	(1,157)	192.2%
Economic income (loss)	**$ 31,784**	**$ (67,371)**	**$ (35,587)**	**$ (25,683)**	**$ (16,283)**	**$ (41,966)**	**$ 6,379**	**(15.2)%**

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Economic Income Revenues

Total Economic Income revenues were $272.6 million for the year ended December 31, 2010, an increase of $171.8 million compared to economic income revenues of $100.8 million for the year ended December 31, 2009.

Alternative Investment Management Segment

Alternative investment management segment economic income revenues was $121.6 million for the year ended December 31, 2010, an increase of $49.2 million compared to economic income revenues of $72.4 million for the year ended December 31, 2009.

Management Fees. Management fees for the segment decreased $2.5 million, or 4.6%, to $51.4 million for the year ended December 31, 2010 compared with $53.9 million for 2009. The decrease was a result of returning assets to investors in 2010, as a result of closing the Ramius Multi-Strategy Fund and the Enterprise Fund, and the return of assets to, and no longer charging management fees, to certain affiliates of UniCredit S.p.A effective July 1, 2010, pursuant to the terms of the Modification Agreement. This was partially offset by increases in assets under management in our single-strategy funds.

Incentive Income (Loss). Incentive income for the segment increased $16.6 million to $9.6 million for the year ended December 31, 2010 compared to a loss of $7.0 million for 2009. The loss in the prior year was primarily due to a reversal of previously recorded incentive income allocations from Ramius's interests in the general partner of a certain real estate fund pursuant to the terms of the governing documents of such funds. The incentive income in 2010 is primarily a result of (i) the performance fees related to the Value and Opportunity fund surpassing its high-water marks, (ii) two fund of funds managed accounts that have also surpassed their high-water marks and hurdles during the year and (iii) the performance of the Global Credit fund.

Investment Income. Investment income for the segment increased $37.6 million to $59.6 million for the year ended December 31, 2010, compared to income of $22.0 million for 2009. The increase is a result of revenue generated from the Luxembourg reinsurance service program and a general increase in performance in the Company's invested capital.

Other Revenue. Other revenue for the segment decreased $2.5 million to $1.0 million for the year ended December 31, 2010, compared to $3.5 million for 2009.

Broker-Dealer Segment

Broker-dealer segment economic income revenues were $151.0 million for the year ended December 31, 2010, an increase of $122.6 million compared to economic income revenues of $28.4 million for the year ended December 31, 2009. The increase was primarily attributable to the inclusion of only two months of the legacy Cowen Holdings brokerage revenues as compared to twelve months during 2010.

Investment Banking. Investment banking revenues increased $28.4 million, or 269%, to $39.0 million for the year ended December 31, 2010 compared with $10.6 million for 2009. The 2009 represents the investment banking activity of Cowen and Company for the period from November 2, 2009 through December 31, 2009. During the year ended December 31, 2010, the Company completed thirty one underwriting transactions, six private capital raising transactions and twelve strategic advisory transactions. During November and December of 2009, the Company completed five underwriting transactions, two private capital raising transactions and three strategic advisory transactions.

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Brokerage. Brokerage revenues increased $94.4 million, or 530%, to $112.2 million for the year ended December 31, 2010 compared with $17.8 million for 2009. The increase was primarily attributable to the inclusion of only two months of the legacy Cowen Holdings brokerage revenues as compared to twelve months during 2010.

Economic Income Expenses

Compensation and Benefits. Total compensation and benefits expense increased $92.7 million, or 99.4%, to $185.9 million for the year ended December 31, 2010, compared with $93.2 million in 2009. The increase was primarily attributable to the inclusion of only two months of legacy Cowen Holdings compensation and benefits expense during 2009.

Compensation and benefits expenses for the alternative investment management segment decreased $4.4 million, or 6.9%, to $58.8 million for the year ended December 31, 2010 compared with $63.2 million in 2009. The decrease was driven by lower accruals for incentive compensation and lower base salaries and benefit expense associated with a reduction in head count.

Compensation and benefits expenses for the broker-dealer segment increased $97.1 million to $127.1 million for the year ended December 31, 2010 compared with $30.0 million in 2009. The increase was primarily attributable to the inclusion of only two months of the legacy Cowen Holdings compensation and benefits expense during 2009 as compared to twelve months during 2010.

Non-compensation Expenses Fixed. Fixed non-compensation expenses increased $41.3 million, or 78.2%, to $94.1 million for the year ended December 31, 2010 compared to $52.8 million in 2009. The increase was primarily due to the inclusion of two months of fixed non-compensation expenses associated with the legacy Cowen Holdings business during 2009, partially offset by a decrease in non-compensation expense from the alternative investment management business.

Fixed non-compensation expenses for the alternative investment management segment decreased $12.0 million, or 28.6%, to $29.9 million for the year ended December 31, 2010 compared with $41.9 million in 2009. Fixed non-compensation expenses for the broker-dealer segment increased $53.4 million to $64.3 million for the year ended December 31, 2010 compared with $10.9 million in 2009.

The following table shows the components of the non-compensation expenses fixed, for the year ended December 31, 2010 and 2009:

	Year ended December 31,		Period-to-Period	
	2010	2009	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses fixed:				
Interest expense	$ 1,026	$ 1,549	$ (523)	(33.8)%
Professional, advisory and other fees	14,032	12,249	1,783	14.6%
Occupancy and equipment	18,167	13,969	4,198	30.1%
Depreciation and amortization	11,432	5,751	5,681	98.8%
Service fees	15,813	4,453	11,360	255.1%
Other	33,679	14,864	18,815	126.6%
Total	**$ 94,149**	**$ 52,835**	**$ 41,314**	**78.2%**

Non-compensation Expenses Variable. Variable non-compensation expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $26.6 million to $33.7 million for the year ended December 31, 2010 compared to $7.1 million in 2009. The increase was due to the inclusion of two months of variable

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non-compensation expenses associated with the legacy Cowen and Company business during 2009 related to Cowen and Company's investment banking and broker dealer businesses as compared to twelve months during 2010. During the fourth quarter of 2010, variable expenses of $4.3 million were incurred related to Luxembourg reinsurance transactions, of which $3.3 million related to transaction related costs, and $1.0 million related to administrative costs.

The following table shows the components of the non-compensation expenses variable, for the year ended December 31, 2010 and 2009:

	Year ended December 31,		Period-to-Period	
	2010	2009	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses Variable:				
Floor brokerage and trade execution	$ 15,280	$ 2,451	$ 12,829	523.4%
Expenses related to Luxembourg reinsurance companies	4,279		4,279	NM
Marketing and business development	14,135	4,690	9,445	201.4%
Total	**$ 33,694**	**$ 7,141**	**$ 26,553**	**371.8%**

Reimbursement from Affiliates. Reimbursements from affiliates, which relate to the alternative investment management segment, decreased $3.7 million, or 33.8%, to $7.3 million for the year ended December 31, 2010 compared with $11.0 million in 2009. The decrease was mainly attributable to a decrease in AUM associated with the funds for which the Company receives the majority of its reimbursements.

Non-Controlling Interest. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to other investors.

Year Ended December 31, 2009 Compared with the Year Ended December 31, 2008

In 2009, the Company's alternative investment management segment includes twelve months of its hedge funds, fund of funds, real estate and other investment platforms operating results. In addition, the alternative investment management segment includes two months of CHRP's operating results in 2009, as a result of the Transactions. In 2008, the Company's alternative investment management segment reflects twelve months of its hedge funds, fund of funds, real estate and other investment platforms operating results, but does not include any of CHRP's operating results.

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In 2009, the Company's broker-dealer segment includes two months of its investment banking and brokerage businesses' operating results. There were no investment banking nor brokerage operating results in 2008 as the historic results of operations only reflect the legacy Ramius business.

	Year ended December 31, 2009			2008	Total Period-to-Period	
	Alternative Investment Management	Broker-Dealer	Total 2009	Total 2008	$ Change	% Change
	(dollars in thousands)					
Economic Income Revenues						
Investment banking	$	$ 10,557	$ 10,557	$	$ 10,557	NM
Brokerage		17,812	17,812		17,812	NM
Management fees	53,940		53,940	84,621	(30,681)	(36.3)%
Incentive income (loss)	(6,996)		(6,996)	(2,586)	(4,410)	170.5%
Investment income (loss)	21,958		21,958	(104,939)	126,897	(120.9)%
Other revenue	3,536		3,536	4,004	(468)	(11.7)%
Total economic income revenues	**72,438**	**28,369**	**100,807**	**(18,900)**	**119,707**	**(633.4)%**
Economic Income Expenses						
Compensation and benefits	63,207	30,032	93,239	84,769	8,470	10.0%
Non-compensation expenses Fixed	41,889	10,946	52,835	48,061	4,774	9.9%
Non-compensation expenses Variable	3,467	3,674	7,141	4,030	3,111	77.2%
Reimbursement from affiliates	(11,044)		(11,044)	(17,394)	6,350	(36.5)%
Total economic income expenses	**97,519**	**44,652**	**142,171**	**119,466**	**22,705**	**19.0%**
Net economic income (loss) (before non-controlling interest)	(25,081)	(16,283)	(41,364)	(138,366)	97,002	(70.1)%
Non-controlling interest	(602)		(602)	5,501	(6,103)	(110.9)%
Economic income (loss)	**$ (25,683)**	**$ (16,283)**	**$ (41,966)**	**$ (132,865)**	**$ 90,899**	**(68.4)%**

Economic Income Revenues

Total economic income revenues were $100.8 million for the year ended December 31, 2009, an increase of $119.7 million compared to a revenue loss of $18.9 million for the year ended December 31, 2008.

Alternative Investment Management Segment

Alternative investment management segment economic income revenues were $72.4 million for the year ended December 31, 2009, an increase of $91.3 million compared to a revenue loss of $18.9 million for the year ended December 31, 2008.

Management Fees. Management fees for the segment decreased $30.7 million, or 36%, to $53.9 million for the year ended December 31, 2009 compared with $84.6 million for 2008. The decrease was due to the decrease in assets under management.

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Incentive Income (Loss). Incentive loss for the segment increased $4.4 million to a loss of $7.0 million for the year ended December 31, 2009 compared to a loss of $2.6 million for 2008 primarily as a result of an increase in a reversal, in the current year period, of previously recorded incentive income allocations from Ramius's interests in the general partner of a certain real estate fund pursuant to the terms of the governing documents of such fund. In addition, as of December 31, 2009 there was a $4.5 million accrual pertaining to subordination agreements entered into by the general partners of two real estate funds with those funds' lead investor. Furthermore, many of the funds now have high-water marks so that Ramius will not earn incentive income with respect to the investments of the fund investors who suffered such losses last year until the investors recover their losses.

Investment Income. Investment income for the segment increased $127.0 million, or 121%, to a gain of $22.0 million for the year ended December 31, 2009, compared with a loss of $105.0 million for 2008. The increase is a result of positive fund performance in the current year period versus negative performance in the prior year period as a result of the general unprecedented levels of market volatility, and liquidity constraints that began in the third quarter of 2008 that affected almost every asset class globally.

Other Revenue. Other revenue for the segment decreased $0.5 million, or 12%, to $3.5 million for the year ended December 31, 2009, compared with $4.0 million for 2008. The decrease was primarily due to the elimination of stock loan fee income as Ramius exited that business in the fourth quarter of 2008, and the elimination of placement fee income. Ramius exited the placement agent business in the third quarter of 2009.

Broker-Dealer Segment

Broker-dealer segment economic income revenues were $28.4 million for the year ended December 31, 2009. There were no broker-dealer segment revenues in 2008 as the historic results of operations only reflect the legacy Ramius business.

Investment Banking. Investment banking revenues were $10.6 million for the year ended December 31, 2009, representing the investment banking activity of Cowen and Company for the period from November 2, 2009 through December 31, 2009. During November and December of 2009, the Company completed 5 underwriting transactions, 2 private capital raising transactions and 3 strategic advisory transactions. There were no investment banking revenues in 2008 as the historic results of operations only reflect the legacy Ramius business.

Brokerage. Brokerage revenues were $17.8 million for the year ended December 31, 2009, representing the brokerage activity of Cowen and Company for the period from November 2, 2009 through December 31, 2009. There were no brokerage revenues in 2008 as the historic results of operations only reflect the legacy Ramius business.

Economic Income Expenses

Compensation and Benefits. Total compensation and benefits expense increased to $93.2 million for the year ended December 31, 2009, an increase of $8.4 million compared to $84.8 million in 2008. The increase was attributable to the inclusion of two months of legacy Cowen and Company compensation and benefits expense in 2009.

Compensation and benefits expenses for the alternative investment management segment decreased $21.6 million, or 25%, to $63.2 million for the year ended December 31, 2009 compared with $84.8 million in the prior year period. The decrease was driven by lower accruals for incentive compensation and lower base salaries and benefit expense associated with a reduction in head count.

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Compensation and benefits expenses for the broker-dealer segment were $30.0 million for the year ended December 31, 2009, which represents two months of operations of legacy Cowen. There were no broker-dealer segment compensation and benefits expenses in 2008 as the historic results of operations only reflect the legacy Ramius business.

Non-compensation Expenses fixed. Non-compensation expenses for the alternative investment management segment were $41.9 million for the year ended December 31, 2009. Non-compensation expenses for the broker-dealer segment were $10.9 million for the year ended December 31, 2009, which represents two months of legacy Cowen Holdings. The following table shows the components of the non-compensation expenses, in total, for the year ended December 31, 2009 and 2008.

The following table shows the components of the non-compensation expenses fixed, for the year ended December 31, 2009 and 2008:

	Year ended December 31,		Period-to-Period	
	2009	2008	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses fixed:				
Interest expense	$ 1,549	$ 1,500	$ 49	3.3%
Professional, advisory and other fees	12,249	13,803	(1,554)	(11.3)%
Occupancy and equipment	13,969	11,401	2,568	22.5%
Depreciation and amortization	5,751	4,611	1,140	24.7%
Other	19,317	16,746	2,571	15.4%
Total	**$ 52,835**	**$ 48,061**	**$ 4,774**	**9.9%**

Non-compensation Expenses Variable. Variable non-compensation expenses, which primarily are comprised of expenses which are incurred as a direct result of the processing and soliciting of revenue generating activities, increased $3.1 million to $7.1 million for the year ended December 31, 2009 compared to $4 million in the prior year. The increase was due to the inclusion of two months variable non-compensation expenses associated with the legacy Cowen Holdings business during 2009 related to Cowen Holdings investment banking and broker dealer businesses and was offset by a reduction in variable non-compensation expenses in the Alternative Investment management business.

The following table shows the components of the non-compensation expenses variable, for the year ended December 31, 2009 and 2008:

	Year ended December 31,		Period-to-Period	
	2009	2008	$ Change	% Change
	(dollars in thousands)			
Non-compensation expenses Variable:				
Floor brokerage and trade execution	$ 2,451	$	$ 2,451	NM
Marketing and business development	4,690	4,030	660	16.4%
Total	**$ 7,141**	**$ 4,030**	**$ 3,111**	**77.2%**

Reimbursement from Affiliates. Reimbursements from affiliates, which relate to the alternative investment management segment, decreased $6.4 million, or 37%, to $11.0 million for the year ended December 31, 2009 compared with $17.4 million for 2008. The decrease was attributable to lower assets under management in the 2009 period as such allocations are largely made based on a percentage of assets under management.

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Non-Controlling Interest. Non-Controlling interest represents the portion of the net income or loss attributable to certain non-wholly owned subsidiaries that is allocated to other investors.

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 and general and administrative expenses;
- repay borrowings and related interest expense; and
- provide capital to facilitate the growth of our existing business.

Based on our historical results, management's experience, our current business strategy and current assets under management, the Company believes that its existing cash resources will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next twelve months. Our cash reserves include cash, cash equivalents and assets readily convertible into cash such as our securities held in inventory. Securities inventories are stated at fair value and are generally readily marketable. As of December 31, 2010, we had cash and cash equivalents of $36.4 million, which includes $12.4 million held in foreign subsidiaries, and net liquid investment assets of $233 million. At December 31, 2010, the Company's investment in the Enterprise Fund was valued at $153.6 million. The Company received total distributions of $142.4 million from the Enterprise Fund during 2010 which includes the January 1, 2011 redemption of $12.5 million. On September 29, 2011, the Company will need to repay all amounts outstanding under the loan facility.

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 bi-weekly during the year, cash bonus payments, which can make up a significant portion of total compensation, are generally paid once a year in February.

As discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations Certain Factors Impacting Our Business" we have entered into a modification agreement with affiliates of Unicredit S.p.A. It is not expected to have a material impact on the Company's liquidity and capital resources.

As of December 31, 2010, the Company had unfunded commitments of $8.3 million pertaining to capital commitments in three real estate investments held by the Company, all of which pertain to related party investments. Such commitments can be called at any time, subject to advance notice. In addition, the Company has committed to invest $40.7 million in CHRP Funds as a limited partner of the CHRP Funds and also as a member of Cowen Healthcare Royalty GP, LLC, the general partner of the CHRP Funds. This commitment is expected to be called over a two to five year period. The Company will make its pro-rata investment in the CHRP Funds along with the other limited partners. Through December 31, 2010, the Company has funded $18.9 million towards these commitments.

As a registered broker-dealer, Cowen and Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. Under the alternative method permitted by the Rule, Cowen and Company's minimum net capital requirement, as defined, is $1.0 million. Cowen and Company is not permitted to withdraw equity if certain minimum net capital requirements are not met. As of December 31, 2010, Cowen and Company had total net

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capital of approximately $27.7 million, which was approximately $26.7 million in excess of its minimum net capital requirement of $1.0 million.

Cowen and Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as their activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

Proprietary accounts of introducing brokers ("PAIB") held at the clearing broker are considered allowable assets for net capital purposes, pursuant to agreements between Cowen and Company and the clearing broker, which require, among other things, that the clearing broker performs computations for PAIB and segregates certain balances on behalf of Cowen and Company, if applicable.

Ramius UK Ltd. ("Ramius UK") and Cowen International Limited ("CIL") are subject to the capital requirements of the Financial Services Authority ("FSA") of the UK. Financial Resources, as defined, must exceed the total Financial Resources requirement of the FSA. At December 31, 2010, Ramius UK's Financial Resources of $3.8 million exceeded its minimum requirement of $0.4 million by $3.4 million. At December 31, 2010, CIL's Financial Resources of $5.1 million exceeded its minimum requirement of $2.7 million by $2.4 million.

Cowen Latitude Advisors Limited ("CLAL") is subject to the financial resources requirements of the Securities and Futures Commission ("SFC") of Hong Kong. Financial Resources, as defined, must exceed the Total Financial Resources requirement of the SFC. At December 31, 2010, CLAL's Financial Resources of $0.8 million exceeded the minimum requirement of $0.1 million by $0.7 million.

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. In addition, our secured revolving credit facility with UniCredit Bank AG (formerly known as Bayerische Hypo-und Vereinsbank AG) ("HVB AG") referenced below prohibits us and certain of our subsidiaries from incurring any indebtedness, other than certain indebtedness permitted under the facility.

Cash Flows Analysis

The Company's primary sources of cash are derived from its operating activities, fees, realized returns on its own invested capital and borrowings under its line of credit. The Company's primary uses of cash include compensation, general and administrative expenses and payments of interest and principal under its line of credit. Cash flow results during the year ended December 31, 2008 only reflect the cash flows and net loss of Ramius LLC prior to the Transactions. The cash flow results during the year ended December 31, 2009 only include the cash flows of the legacy Cowen Holdings business for two months. As a result, the cash flow amounts from operating, investing and financing activities for the year ended December 31, 2010, 2009, and 2008 are not comparable.

Operating Activities. Net cash used in operating activities of $51.6 million for the year ended December 31, 2010 was predominately related to cash payments for purchases of securities related the Company's invested capital and Consolidated Funds offset partially by proceeds from sales of securities owned by the Company and the Consolidated Funds. Net cash provided by operating activities of $110.3 million for the year ended December 31, 2009 was predominately related to cash acquired upon the completion of the Transactions, proceeds from sales of securities and sales of other investments, partially offset by a net cash loss and purchases of securities owned. Net cash used in operating activities of $96.7 million for the year ended December 31, 2008 was predominately related to a net cash loss, partially offset by the reduction in securities owned and fees receivable. In 2008, the Company wound down its securities lending operation which resulted in a significant change in receivables from brokers mostly offset by a corresponding change in payable to brokers.

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Investing Activities. Net cash used in investing activities of $109.5 million for the year ended December 31, 2010 was primarily from the purchase of other investments related to the Company's invested capital and increased reverse repurchase agreement activity. Net cash provided by investing activities of $8.9 million for the year ended December 31, 2009 was primarily due to the proceeds from sale of other investments. Net cash used in investing activities of $16.1 million for the year ended December 31, 2008 was primarily due to the purchase of fixed assets related to the relocation of the Company's headquarters into new office space.

Financing Activities. Net cash provided by financing activities for the year ended December 31, 2010 was $50 million primarily related to increased repurchase agreement activity partially offset by a repayment on the line of credit and payments by the Consolidated Funds for capital withdrawals. For the year ended December 31, 2009 net cash used in financing activities was $18.5 million, the financing activities excluding the consolidated entities provided net cash of $80.6 million due to proceeds from a capital raising event in December 2009 which was partially offset by capital withdrawals of $23.9 million, which were mostly redeemed prior to the Transactions, and $10.4 million used to purchase the 50% interest in Ramius Alternative Solutions. For the twelve months ended December 31, 2008 net cash provided by financing activities was $141.6 million, however, the financing activities excluding the consolidated entities used net cash of $11.7 million primarily driven by a net withdrawal of $21 million of member's capital.

Short-Term Borrowings and other debt

On June 3, 2009, the Company entered into a collateralized revolving credit agreement with HVB AG, as lender, administrative agent and issuing bank, providing for a revolving credit facility with a $50.0 million aggregate loan commitment amount available, with a $7.0 million letter of credit sub-limit. As of December 31, 2010 and December 31, 2009, the Company had borrowings of $24.0 million and $43.0 million, respectively, under the line of credit portion. The Company also had a letter of credit of $6.7 million at December 31, 2009 with HVB AG. At the Company's election and discretion, borrowings under this collateralized revolving credit agreement bear interest per annum (based on a 360 day year) equal to either: (a) 0.5% plus the greater of (1) the lender's prime rate, (2) the overnight federal funds rate plus 0.5% and (3) the LIBOR rate plus 1.0% or (b) the LIBOR rate plus 2.75%. Due to the variable interest rate on these borrowings, their carrying values approximate fair value. The Company is required to pay a quarterly commitment fee on the undrawn portion of the revolving credit facility equal to 1.0% per annum of the undrawn amount. For letters of credit, the Company will pay a fee on the stated amount of the letter of credit at a rate equal to 2.75%. The 2009 collateralized revolving credit agreement was to mature on November 2, 2009 but was extended; $25.0 million was extended through January 4, 2010 and $25 million was extended through September 29, 2011. All terms of the extended collateralized revolving credit agreement remain the same except the following: at the Company's election and discretion, borrowings under the extended 2009 collateralized revolving credit agreement bear interest per annum (based on a 360 day year) equal to either: (1) the lender's prime rate plus 1.5% or (2) the 1, 2 or 3 month LIBOR rate plus 3.5%. For letters of credit, the Company will pay a fee on the stated amount of the letter of credit at a rate equal to 3.5%. The 2009 collateralized revolving credit agreement contained financial and other restrictive covenants that limited the Company's ability to incur additional debt and engage in other activities. As of December 31, 2010 and during the period from June 3, 2009 to December 31, 2010, the Company was in compliance with these covenants.

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During 2010, HVB AG notified us that they will not be renewing the $6.7 million letter of credit which supports the lease of office space in New York. The Company has replaced that letter of credit with a new letter of credit by another financial institution which expires December 12, 2011.

On January 4, 2010, in accordance with the terms of the collateralized revolving credit agreement, the Company remitted $25 million to HVB AG, reducing its revolving line of credit balance.

Interest incurred on the Company's lines of credit (in combination with all previous lines of credit) for the years ended December 31, 2010, 2009 and 2008 was $1.0 million, $1.5 million and $1.5 million, respectively.

Cash collateral pledged at December 31, 2009, on the consolidated statements of financial condition, represents collateral that was required to be posted for obligations or potential obligations under the letter of credit discussed above pursuant to the lease agreement for the Company's premises in New York City. This collateral was released with the terms of the extended collateralized revolving credit agreement. The Company's investment in Enterprise Master through the Enterprise Fund has been pledged as collateral under the line of credit portion of the revolving credit agreement discussed above.

In November 2010, the Company borrowed $0.6 million and $1.5 million to fund insurance premium payments. These notes bear interest at 5.05% and 4.95%, respectively and are due in October of 2011. As of December 31, 2010, the outstanding balance on these combined notes payable was $1.4 million. Interest expense for the year ended December 31, 2010 was not significant.

As of December 31, 2010 the Company also has four additional irrevocable letters of credit, for which there is cash collateral pledged, including (i) $50,000, which expires on July 12, 2011, supporting workers' compensation insurance with Safety National Casualty Corporation, (ii) $57,000, which expires on May 12, 2011, supporting Cowen Healthcare Royalty Management, LLC's Stamford office lease and (iii) $82,000, which expires on May 12, 2011, supporting the Company's San Francisco office and (iv) $1.2 million which expires on August 31, 2011, supporting the Company's lease of additional office space in New York. To the extent any letter of credit is drawn upon, interest will be assessed at the prime commercial lending rate. As of December 31, 2010 and December 31, 2009, there were no amounts due related to these letters of credit.

Ramius Levered Multi-Strategy FOF LP had a $100.0 million line of credit with a major financial institution with a minimum borrowing amount of $20.0 million. Levered FOF could borrow on this line of credit up to 72% of the amount of collateral pledged. In accordance with the loan agreement, interest accrued on the loan as well as custodian and other fees incurred by Levered FOF in connection with the loan was capitalized and added to the total outstanding balance of the loan. During 2008, due to Levered FOF going into liquidation, the minimum borrowing amount was waived. As of December 31, 2008, the outstanding balance on this line of credit was $10.0 million. This loan bears interest at LIBOR plus 1.35% per annum. Due to the floating rate of interest, its carrying value approximates fair value. At December 31, 2008, all investments owned by Levered FOF were pledged as collateral in connection with this line of credit. Interest incurred on Levered FOF's line of credit during the years ended December 31, 2009 and 2008 was $0 and $1.6 million, respectively. Levered FOF's line of credit was repaid in full as of February 5, 2009 and was discontinued on that date.

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Contractual Obligations

The following tables summarize the Company's contractual cash obligations as of December 31, 2010:

	Total	1-3 Years	4-5 Years	More Than 5 Years
		(dollars in thousands)		
Equipment Leases, Service Payments and Facility Leases				
Real Estate	$ 135,439	$ 52,081	$ 22,104	$ 61,254
Service Payments	37,079	28,943	8,136	
Capital leases	6,974	4,475	2,422	77
Aircraft	5,426	5,279	147	
Total	**$ 184,918**	**$ 90,778**	**$ 32,809**	**$ 61,331**
Debt				
Line of Credit	$ 24,000	$ 24,000	$	$
Interest Payable Line of Credit	132	132		
Notes Payable	1,396	1,396		
Letter of Credit				
Benefit Plan	633	633		
Total	**$ 26,161**	**$ 26,161**	**$**	**$**

(1) Estimated 2010 funding requirements for the Company's defined benefit plan. Future contributions to the plan beyond 2010 cannot reasonably be estimated and are excluded from the table above.

Clawback obligations

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

The actual clawback liability, however, does not become realized until the end of a fund's life. The life of the real estate fund's with a potential clawback obligation, including available contemplated extensions, are currently anticipated to expire at the end of 2013. Further extensions of such terms may be implemented under certain circumstances.

As of December 31, 2010, the clawback obligations were $6.2 million. (See Note 23 "Related Party Transactions" and Note 17 "Commitments and Contingencies" in the Notes to the Consolidated Financial Statements.)

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as of December 31, 2010. However, through indemnification provisions in our clearing agreement, customer activities may expose us to off-balance-sheet credit risk. Pursuant to the clearing agreement, 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 is a member of various securities exchanges. 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 exchange, all other members would be required to meet the shortfall. Cowen and Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, management believes that the potential for Cowen and Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried in the accompanying consolidated statements of financial condition for these arrangements.

Critical Accounting Policies and Estimates

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

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

Consolidation

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

Voting Operating Entities VOEs are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact the entity's economic performance. VOEs are consolidated in accordance with Financial Accounting Standards Board ("FASB") accounting standards. In accordance with these standards, the Company presently consolidates five funds deemed to be VOEs for which it acts as the general partner and investment manager. RTS Global 3x Fund LP ("RTS Global 3x") was first consolidated in the first quarter of 2010, when it commenced operations.

Under FASB accounting standards, the usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the Company consolidates VOEs in which it owns a majority of the entity's voting shares or units. FASB accounting standards also provide that a general partner of a limited partnership (or a managing member, in the case of a limited liability company) is presumed to control the partnership, and thus should consolidate it, unless a simple majority of the limited partners has the right to remove the general partner without cause or to terminate the partnership. In accordance with these standards, the Company presently consolidates five funds deemed to be VOEs for which it acts as the general partner.

As at December 31, 2010 the Company consolidates the following funds (the "Consolidated Funds"): the Enterprise Fund, Ramius Multi-Strategy FOF LP ("Multi-Strat FOF"), Ramius Vintage Multi-Strategy FOF LP ("Vintage LP"), Ramius Levered Multi-Strategy FOF LP ("Levered FOF"), and RTS Global 3x.

Variable Interest Entities VIEs are entities that lack one or more of the characteristics of a VOE. In accordance with FASB accounting standards, an enterprise must consolidate all VIEs of which it is the primary beneficiary. Under the new FASB consolidation model for VIEs (as discussed in "Recently adopted accounting pronouncements"), 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 have a controlling financial interest in the VIE and thus is required to consolidate it.

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However, the FASB has deferred the application of the new consolidation model for VIEs that meet certain conditions, as discussed in "Recent adopted accounting pronouncements". Where the VIEs have qualified for the deferral, the analysis is based on previous consolidation rules. These rules require an analysis to (a) determine whether an entity in which the Company holds a variable interest is a variable interest entity and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIEs expected residual returns, or both. If this condition is met, the Company is considered to have a controlling financial interest in the VIE and thus is required to consolidate it.

Under both guidelines, the Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a variable interest entity and reconsiders that conclusion continuously.

The Company determines whether it is the primary beneficiary of a VIE by performing a qualitative and/or quantitative analysis of the VIE that includes a review of, among other things, its capital structure, terms of any contracts between the Company and the VIE, which interests create or absorb variability, related party relationships and the design of the VIE. As of December 31, 2010, the Company does not consolidate any VIEs.

The Company has determined that it no longer exercises control over Cowen Healthcare Royalty GP, LLC (the "CHRP GP") as it no longer acts as managing member of this entity, and beginning with the first quarter of 2010, no longer consolidates this entity. The Company now accounts for its investment in the CHRP GP under the equity method of accounting. Ramius Alternative Replication Fund Ltd ("Replication Ltd") was consolidated as of April 1, 2010, when the Company first invested in the fund. This fund was deconsolidated on October 1, 2010 when the investment in the fund ceased providing the Company with a controlling interest and included within portfolio funds, at fair value as of December 31, 2010.

As at December 31, 2010 and 2009, the Company holds a variable interest in Ramius Enterprise Master Fund Ltd ("Enterprise Master"), Ramius Multi-Strategy Master FOF LP and Ramius Vintage Multi-Strategy Master FOF LP (the "Unconsolidated Master Funds") through three of its Consolidated Funds: the Enterprise Fund, Multi-Strat FOF and Vintage FOF (the "Consolidated Feeder Funds"), respectively. Investment companies like the Consolidated Feeder Funds, which account for their investments under the specialized industry accounting guidance for investment companies prescribed under FASB accounting standards, are not subject to the consolidation provisions for their investments. Therefore, the Company has not consolidated the Unconsolidated Master Funds.

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 consolidated statements of financial condition. The Company's equity in earnings or losses from equity method investees is included in net gains (losses) on securities, derivatives and other investments in the consolidated statements of operations.

The Company evaluates for impairment its equity method investments 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 when the loss in value is deemed other than temporary.

Retention of Specialized Accounting The Consolidated Funds are investment companies and apply specialized industry accounting for investment companies. The Company has retained this specialized accounting for these funds pursuant to FASB accounting standards. The Consolidated Funds report their investments on the consolidated statements of financial condition at their estimated fair value, with unrealized gains (losses) resulting from changes in fair value reflected as a component of operations. Accordingly, the accompanying consolidated financial statements reflect different accounting policies for investments depending on whether or not they are held through a consolidated investment company. In addition, the Company's broker-dealer subsidiaries, Ramius Securities LLC ("Ramius Securities") and Cowen and Company, apply the specialized industry accounting for brokers and dealers in securities also prescribed under FASB accounting standards. The Company also has retained this specialized accounting in consolidation.

Valuation of investments and derivative contracts

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

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

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

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

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

The Company and its operating company subsidiaries act as the manager for the Consolidated Funds. Both the Company and the Consolidated Funds hold certain investments which are valued by the Company, acting as the investment manager. The fair value of these investments is generally estimated based on proprietary models developed by the Company, which include discounted cash flow analyses, public market comparables, and other techniques and may be based, at least in part, on independently sourced market information. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, timing of, and estimated proceeds from expected financings. Significant judgment and estimation goes into the selection of an appropriate valuation methodology as well as the assumptions used in these models, and the timing and actual values realized 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.

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

Securities Securities whose values are based on quoted market prices in active markets for identical assets, and are therefore classified in level 1 of the fair value hierarchy, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. The Company does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Certain positions for which there is a limited market, consisting primarily of convertible debt, corporate debt and loans, are stated at fair value. The estimated fair values assigned by management are determined in good faith and are based on available information considering, among other things, quotations provided by published pricing services, counterparties and other market participants, and pricing models using quoted inputs, and do not necessarily represent the amounts which might ultimately be realized. Such positions that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources which are supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability.

Derivative contracts Derivative contracts can be exchange-traded or privately negotiated over-the-counter ("OTC"). Exchange-traded derivatives, such as futures contracts and exchange traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded. OTC derivatives, such as generic forwards, swaps and options, have inputs which can generally be corroborated by market data and are therefore classified within level 2. Derivative contracts are included within other assets on the consolidated statements of financial condition.

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

i. **Portfolio funds** Portfolio funds ("Portfolio Funds") include interests in funds and investment companies managed externally by the Company and unaffiliated managers. In September 2009, the FASB issued a new accounting pronouncement regarding fair value measurements and disclosures relating to investments in certain entities that calculate net asset value ("NAV") per share (or its equivalent). The guidance permits, as a practical expedient, an entity holding investments in certain entities that either are investment companies as defined by the AICPA Audit and Accounting Guide, Investment Companies, or have attributes similar to an investment company, and calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. The Company has adopted this guidance effective with the issuance of its December 31, 2009 financial statements. As this guidance is consistent with the Company's existing fair value measurement policy for its Portfolio funds, the Company's adoption did not have an impact on its financial condition, results of operations or cash flows.

The Company categorizes its investments in Portfolio Funds within the fair value hierarchy dependent on the ability to redeem the investment. If the Company has the ability to redeem its investment at NAV at the measurement date or within the near term, the Portfolio Fund is categorized as a Level 2 fair value measurement. If the Company does not know when it will

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have the ability to redeem its investment or cannot do so in the near term, the Portfolio Fund is categorized as a Level 3 fair value measurement. See Note 5 for further details of the Company's investments in Portfolio Funds.

ii.

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

The Company also reflects its real estate equity investments net of investment level financing. Valuation adjustments attributable to underlying financing arrangements are considered in the real estate equity valuation based on amounts at which the financing liabilities could be transferred to market participants at the measurement date.

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

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

See Note 5 to the Company's audited consolidated financial statements for further information regarding the Company's investments and fair value measurements.

Revenue recognition

The Company generates revenue through several principal sources as more fully described below:

Management fees

The Company earns management fees from funds and managed accounts for which serves as the investment manager, based on a fixed percentage of net asset value, committed capital or invested capital. Management fees are based on contractual terms specified in the underlying investment management agreements with each specific fund or managed account. Management fees are generally paid on a quarterly basis at the beginning of each quarter in arrears and are prorated for capital inflows and redemptions. Management fees earned from our fund of funds products and certain portfolio funds are based and initially calculated on estimated net asset values and actual fees ultimately earned could be impacted to the extent of any changes in these estimates.

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Incentive Income

The Company earns incentive income based on the net profits, as defined in the respective investment management agreements with Company's funds and certain managed accounts, allocable for each fiscal year that exceeds cumulative unrecovered net losses, if any, that have carried forward from prior years. Incentive income earned is typically between 10% and 20% for hedge funds and 10% for fund of funds of the net profits earned for the full year that are attributable to each fee-paying investor. Incentive income on real estate investments is earned in the year of a sale or realization of a private investment. Incentive income in the CHRP Funds is earned only after investors receive a full return of their capital plus a preferred return.

In periods following a period of a net loss attributable to an investor, the Company does not earn incentive income on any future profits attributable to that investor until the accumulated net loss from prior periods is recovered. Incentive income, once earned, is not subject to repayment. The Company has elected to record incentive income revenue in accordance with "Method 2" of FASB accounting standards. Under Method 2, the incentive income from the Company's funds and managed accounts for any period is based upon the net profits of those funds and managed accounts at the reporting date. Any incentive income recognized in a quarter's consolidated statement of operations may be subject to reversal in a subsequent quarter as a result of subsequent negative investment performance prior to the conclusion of the fiscal year, when all contingencies have been resolved. As a result of negative investment performance in 2008, and in the case of certain real estate funds, in 2009, the Company entered 2010 with high-water marks in many funds that the Company manages. These high-water marks require the funds to recover cumulative losses before the Company can begin to earn incentive income in 2010 and beyond until the high-water marks are reached with respect to the capital accounts of the funds' investors who suffered losses in 2008, and in the case of certain real estate funds, in 2009. In 2010, the Ramius Value and Opportunity Funds surpassed their high-water marks and the Company began to earn incentive income again on these products.

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

Investment Banking Revenues

The Company earns investment banking revenue primarily from fees associated with public and private capital raising transactions and providing strategic advisory services. The Company's investment banking revenues are derived primarily from small and mid-capitalization companies within the Company's target sectors of healthcare, technology, media and telecommunications, consumer, aerospace & defense, and alternative energy.

Underwriting fees. The Company earns underwriting revenues in securities offerings in which the Company acts as an underwriter, such as IPOs, follow-on equity offerings and convertible security offerings. The Company's underwriting revenues include management fees, selling concessions and underwriting fees. Fee revenue relating to underwriting commitments is recorded when all significant items relating to the underwriting cycle 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 shares from the issuer; and (iii) the Company has been informed of the number of shares that it has been allotted.

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

Strategic/financial advisory fees. The Company's strategic advisory revenues include success fees earned in connection with advising companies, both buyers and sellers, principally in mergers and acquisitions. The Company also earns fees for related advisory work such as providing fairness opinions. The Company records strategic advisory revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Private placement fees. The Company earns agency placement fees in non-underwritten transactions such as private placements, PIPEs and RDs. The Company records private placement revenues when the services for the transactions are completed under the terms of each assignment or engagement and collection is reasonably assured. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price consideration of acquired companies over the estimated fair value assigned to the individual assets acquired and liabilities assumed. The Company tests goodwill for impairment in accordance with the two-step method described in FASB accounting standards. The first step involves a comparison of the estimated fair value of the reporting unit to its carrying amount, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying amount, its goodwill is not impaired and the second step of the impairment test is not necessary. If the carrying amount of the reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with its carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess. Goodwill is tested annually for impairment during the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. Goodwill impairment tests are subject to significant judgment in determining the estimation of future cash flows, discount rates and other assumptions. Changes in these estimates and assumptions could have a significant impact on the fair value and any resulting impairment of goodwill.

Intangible assets with finite lives are amortized over their estimated average useful lives. The Company does not have any intangible assets deemed to have indefinite lives. Intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that an asset's 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 if the sum of the estimated undiscounted cash flows relating to the asset or asset group is less than the corresponding carrying value.

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 FASB accounting standards. These amounts are reported in other expenses, net of recoveries, in the consolidated statements of operations. The consolidated statements of operations do not include litigation expenses incurred by the Company in connection with indemnified litigation matters. See Note 17 to the Company's consolidated financial statements for further discussion. As the successor of the named party in these litigation matters, the Company recognizes the related legal reserve in the consolidated statements of financial condition.

Future adoption of accounting pronouncements

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

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

The Company's risk measurement and risk management processes are an integral part of our daily 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 Company's funds' and managed accounts' risks. 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 firm 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 based on the net asset value of the Company's funds and managed accounts. Accordingly, management fees will change in proportion to changes in the market value of investments held by the Company's funds and managed accounts.

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Impact on Incentive Income

The Company's incentive income is generally based on a percentage of the profits of the Company's various funds and managed accounts, which is impacted by global economies and market conditions and 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 funds and our role as a financial intermediary in customer trading and to our market making and investment activities. Market risk is inherent in financial instruments and risks arise in options, warrants and derivative contracts from changes in the fair values of their underlying financial instruments. Securities sold, but not yet purchased, represent obligations of the Company's funds to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. We trade in equity securities as an active participant in both listed and over the counter markets. We typically maintain securities in inventory to facilitate our market making activities and customer order flow. We may use a variety of risk management techniques and hedging strategies in the ordinary course of our trading business to manage our exposures. In connection with our trading business, management also reviews reports appropriate to the risk profile of specific trading activities. Typically, market conditions are evaluated and transaction details and securities positions are reviewed. These activities are intended to ensure that our trading strategies are conducted within acceptable risk tolerance parameters, particularly when we commit our own capital to facilitate client trading. Activities inclde price verification procedures, position reconciliations and reviews of transaction booking. We believe these procedures, which stress timely communications between traders, trading management and senior management, are important elements of the risk management process.

A 10% change in the fair value of the investments held by the Company's funds as of December 31, 2010 would result in a change of approximately $904 million in our assets under management and would impact management fees by approximately $5.1 million. This number is an estimate. The amount would be dependent on the fee structure of the particular fund or funds that experienced such a change.

Currency risk

The Company is also exposed to foreign currency fluctuations. Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of such financial instruments, including direct or indirect investments in securities of non-U.S. companies. A 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which the

Company's investments or the Company's funds have exposure to exchange rates would not have a material effect on the Company's revenues, net loss or Economic Income.

Inflation risk

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

Leverage and interest rate risk

There is no guarantee that the Company's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Company. Unfavorable economic conditions also could increase funding costs, limit access to the capital markets or result in a decision by lenders not to extend credit to the Company. In addition, a decline in market value of the Company's assets may have particular adverse consequences in instances where they 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.

As we may hold interest-sensitive assets and liabilities from time to time, we are exposed to additional interest rate risk arising from changes in the level and volatility of interest rates and in the shape of the yield curve.

In the event that LIBOR, and rates directly or indirectly tied to LIBOR, were to increase by 10% over LIBOR as of December 31, 2009, based on the Company's funds' debt investments and obligations as of December 31, 2009, we estimate that the net effect on interest income and interest expense would not result in a material impact on our results of operations. A tightening of credit and increase in prevailing interest rates could make it difficult for us to raise capital and sustain our growth rate.

In addition, the Company's debt obligations bear interest at rates indexed to LIBOR. For every 1% increase in LIBOR, as of December 31, 2009, our annual interest expense will increase by $0.2 million.

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, 2010, 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. 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 three business days after trade date. Should either the client or the counterparty fail to perform, we may be required to complete the transaction at prevailing market prices.

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

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. We outsource all or a portion of several critical business functions, such as clearing, data center and desktop maintenance and support. 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 Statement on Auditing Standards No. 70 report on the state of its internal controls. 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.

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.

Primary responsibility for management of operational risk is with the businesses and the business managers therein. The business managers, generally, maintain processes and controls designed to identify, assess, manage, mitigate and report operational risk. As new products and business activities are developed and processes are designed and modified, operational risks are considered.

Legal risk

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

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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 Securities Exchange Act of 1934 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, 2010 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 of 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information in the definitive proxy statement for our 2011 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 2011 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 2011 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 2011 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 Accounting Fees and Services

The information in the definitive proxy statement for our 2011 annual meeting of stockholders under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor Auditor Services Pre-Approval Policy" is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Consolidated Financial Statements

   The consolidated financial statements required to be filed in the Annual Report on Form 10-K are listed on page F-1 hereof. The required financial statements appear on pages F-1 through F-85 hereof.

2. Financial Statement Schedules

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

3. Exhibits

   See the Exhibit Index on pages E-1 through E-4 for a list of the exhibits being filed or furnished with or incorporated by reference into this Annual Report on Form 10-K.

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Management's Report on Internal Control over Financial Reporting

Management of Cowen Group, 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 2010 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* 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, 2010 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, 2010 has been audited by PricewaterhouseCoopers 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, 2010.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cowen Group, Inc.

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, changes in equity, and cash flows present fairly, in all material respects, the financial position of Cowen Group, Inc. and its subsidiaries (the Company) at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these 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 Management's Report on Internal Control over Financial Reporting appearing on page F-2. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2010). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 11, 2011

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Cowen Group, Inc.

Consolidated Statements of Financial Condition

As of December 31, 2010 and 2009

(in thousands, except share and per share data)

	As of December 31,	
	2010	**2009**
Assets		
Cash and cash equivalents	$ 36,354	$ 147,367
Cash collateral pledged	8,633	7,246
Securities owned, at fair value	474,095	54,153
Securities purchased under agreement to resell	97,755	
Other investments	40,320	28,490
Receivable from brokers	95,937	32,525
Fees receivable	31,688	22,446
Due from related parties (see Note 23)	16,370	14,860
Fixed assets, net of accumulated depreciation and amortization of $17,764 and $16,449, respectively	36,591	32,603
Goodwill	27,179	27,179
Intangible assets, net of accumulated amortization of $8,146 and $4,506, respectively	12,754	16,394
Other assets	19,456	24,199
Consolidated Funds		
Cash and cash equivalents	7,210	625
Securities owned, at fair value	8,722	
Other investments, at fair value	333,374	550,407
Other assets	732	947
Total Assets	**$ 1,247,170**	**$ 959,441**
Liabilities and Stockholders' Equity		
Securities sold, not yet purchased, at fair value	$ 197,916	$ 14,812
Securities sold under agreement to repurchase	192,165	
Payable to brokers	85,655	3,817
Compensation payable	76,204	80,923
Short-term borrowings and other debt	31,733	49,746
Fees payable (see Note 23)	8,797	5,387
Due to related parties (see Note 23)	9,187	8,103
Accounts payable, accrued expenses and other liabilities	42,267	65,599
Consolidated Funds		
Capital withdrawals payable	7,817	26,312
Accounts payable, accrued expenses and other liabilities	1,827	392
Total Liabilities	**653,568**	**255,091**
Commitments and Contingencies (see Note 17)		
Redeemable non-controlling interests	**144,346**	**230,825**
Stockholders' equity		
Preferred stock, par value $0.01 per share; 10,000,000 shares authorized, no shares issued and outstanding		
Class A common stock, par value $0.01 per share: 250,000,000 shares authorized, 75,490,209 and 74,743,163 shares issued and outstanding as of December 31, 2010 and 2009, respectively (including 1,554,124 and 2,323,116 restricted shares, respectively)	726	726
Class B common stock, par value $0.01 per share: 250,000,000 authorized, no shares issued and outstanding		
Additional paid-in capital	504,480	483,872

(Accumulated deficit) retained earnings	(55,970)	(10,553)
Accumulated other comprehensive income (loss)	20	(520)
Total Stockholders' Equity	**449,256**	**473,525**
Total Liabilities and Stockholders' Equity	**$ 1,247,170**	**$ 959,441**

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

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Cowen Group, Inc.

Consolidated Statements of Operations

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share data)

	Year ended December 31,		
	2010	**2009**	**2008**
Revenues			
Investment banking	$ 38,965	$ 10,557	$
Brokerage	112,217	17,812	
Management fees	38,847	41,694	70,818
Incentive income	11,363	1,911	
Interest and dividends	11,547	477	1,993
Reimbursement from affiliates	6,816	10,326	16,330
Other revenues	1,936	4,732	6,853
Consolidated Funds			
Interest and dividends	11,733	33,697	30,267
Other	386	2,695	1,472
Total revenues	**233,810**	**123,901**	**127,733**
Expenses			
Employee compensation and benefits	194,919	96,592	84,769
Floor brokerage and trade execution	17,143	2,451	
Interest and dividends	8,971	1,601	1,820
Professional, advisory and other fees	14,547	20,140	9,829
Service fees	15,814	4,452	3,974
Communications	13,972	2,906	1,574
Occupancy and equipment	18,119	11,835	11,401
Depreciation and amortization	11,543	5,761	4,611
Client services and business development	14,470	7,804	8,647
Goodwill impairment			10,200
Other	22,323	12,868	13,000
Consolidated Funds			
Interest and dividends	3,078	14,017	28,806
Professional, advisory and other fees	3,094	6,500	2,790
Floor brokerage and trade execution	995	707	1,228
Other	954	2,357	1,444
Total expenses	**339,942**	**189,991**	**184,093**
Other income (loss)			
Net gains (losses) on securities, derivatives and other investments	21,980	(2,154)	(2,006)
Consolidated Funds:			
Net realized and unrealized gains (losses) on investments and other transactions	33,116	55,908	(216,910)
Net realized and unrealized gains (losses) on derivatives	(761)	(31,750)	6,771
Net gains (losses) on foreign currency transactions	(1,293)	(3,159)	11,654
Total other income (loss)	**53,042**	**18,845**	**(200,491)**
Income (loss) before income taxes	**(53,090)**	**(47,245)**	**(256,851)**
Income tax expense (benefit)	(21,400)	(8,206)	(1,301)
Net income (loss)	(31,690)	(39,039)	(255,550)
Net income (loss) attributable to redeemable non-controlling interests in consolidated subsidiaries	13,727	16,248	(113,786)
Net income (loss) attributable to Cowen Group, Inc. stockholders	**$ (45,417)**	**$ (55,287)**	**$ (141,764)**

Weighted average common shares outstanding:						
Basic		73,149		41,001		37,537
Diluted		73,149		41,001		37,537
Earnings (loss) per share:						
Basic	$	(0.62)	$	(1.35)	$	(3.78)
Diluted	$	(0.62)	$	(1.35)	$	(3.78)

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

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Cowen Group, Inc.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except share data)

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ Accumulated deficit	Total Stockholders' Equity	Redeemable Noncontrolling Interest	Total Comprehensive Income (Loss)
Balance, December 31, 2007	**37,536,826**	**$ 375**	**$ 264,999**	**$ (290)**	**$ 214,896**	**$ 479,980**	**$ 203,523**	
Comprehensive income (loss):								
Net income					(141,764)	(141,764)	(113,786)	$ (255,550)
Defined Benefit Plans				(873)		(873)		(873)
Total comprehensive income (loss)				(873)	(141,764)	(142,637)	(113,786)	(256,423)
Capital contributions			12,465			12,465	236,886	
Capital distributions					(18,916)	(18,916)	(41,687)	
Balance, December 31, 2008	**37,536,826**	**375**	**277,464**	**(1,163)**	**54,216**	**330,892**	**284,936**	
Comprehensive income (loss):								
Net loss					(55,287)	(55,287)	16,248	(39,039)
Defined Benefit Plans				636		636		636
Foreign currency translation				7		7		7
Total comprehensive income (loss)				643	(55,287)	(54,644)	16,248	(38,396)
Capital contributions			4,906			4,906	1,613	
Capital distributions					(9,482)	(9,482)	(60,214)	
Acquisition of non-controlling interest (see Note 2)	2,713,882	27	3,085			3,112	(13,482)	
Common Stock issuance upon close of Transaction (see Note 2)	15,055,619	151	114,346			114,497	1,724	
Restricted stock awards issued	2,144,138							
Issuance of Common Stock on share offering (see Note 19)	17,292,698	173	80,434			80,607		
Amortization of share based compensation			3,637			3,637		
Balance, December 31, 2009	**74,743,163**	**726**	**483,872**	**(520)**	**(10,553)**	**473,525**	**230,825**	

Comprehensive income (loss):					
Net income (loss)		(45,417)	(45,417)	13,727	(31,690)
Defined Benefit Plans	241		241		241
Foreign currency translation	299		299		299
Total comprehensive income (loss)	540	(45,417)	(44,877)	13,727	$ (31,150)
Capital contributions				10,062	
Capital withdrawals				(105,869)	
Consolidation of Replication Ltd (see Note 3b)					