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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Cowen Group, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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April 30, 2013

Dear Fellow Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of Cowen Group, Inc. to be held on June 12, 2013, at 10:00 a.m., Eastern Daylight Time, at 599 Lexington Avenue, 20<sup>th</sup> Floor, New York, New York 10022. The information regarding matters to be voted upon at the Annual Meeting is set out in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares you hold or whether you plan to attend the meeting in person. I urge you to read the accompanying proxy statement and vote your shares as soon as possible. The proxy card contains instructions on how to cast your vote.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter A. Cohen", with a long horizontal flourish extending to the right.

Peter A. Cohen  
Chairman and Chief Executive Officer

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**Notice of 2013 Annual Meeting of Stockholders**

Date: Wednesday, June 12, 2013  
Time: 10:00 a.m., Eastern Daylight Time  
Place: 599 Lexington Avenue, New York, NY 10022

Purpose:

1. To elect nine members to the Board of Directors of Cowen Group, Inc., each for a one-year term.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Cowen Group, Inc. for the fiscal year ending December 31, 2013.
3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Record Date: April 22, 2013—You are eligible to vote if you were a stockholder of record on this date.

Inspection of List of Stockholders of Record: A list of the stockholders of record as of April 22, 2013 will be available for inspection during ordinary business hours at our offices, 599 Lexington Avenue, New York, New York 10022, from May 29, 2013 to June 11, 2013, as well as at the Annual Meeting.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "O. Littman", written in a cursive style.

Owen S. Littman  
*Secretary*

April 30, 2013

**Important Notice Regarding the Availability of Proxy Materials for the 2013 Annual Meeting of Stockholders to Be Held on June 12, 2013. The Proxy Statement and Annual Report to security holders are also available at [www.cowen.com/annualreports.html](http://www.cowen.com/annualreports.html)**

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**YOUR VOTE IS IMPORTANT!**

Whether or not you plan to attend the meeting, please submit your proxy card or voting instructions promptly so that we can be assured of having a quorum present at the meeting and so that your shares may be voted in accordance with your wishes. Most stockholders have a choice of voting over the Internet, by telephone or by using a traditional proxy card. Please refer to the attached proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you.

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**PROXY STATEMENT  
2013 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 12, 2013**

The Board of Directors of Cowen Group, Inc., Cowen Group or the Company, is soliciting proxies for use at the annual meeting of stockholders to be held on June 12, 2013 at 599 Lexington Avenue, 20<sup>th</sup> Floor, New York, New York, and at any adjournment or postponement of the meeting. This proxy statement and the enclosed proxy card are first being mailed or given to stockholders on or about May 6, 2013.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

***What is the purpose of the meeting?***

At our annual meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting of Stockholders. These include the election of directors and the ratification of the selection of our independent registered public accounting firm for 2013. Also, management will report on matters of current interest to our stockholders and respond to questions from our stockholders.

***Who is entitled to vote at the meeting?***

The Board has set April 22, 2013 as the record date for the annual meeting. If you were a stockholder of record at the close of business on April 22, 2013, you are entitled to vote at the meeting. As of the record date, 116,056,645 shares of Class A common stock, representing all of our voting stock, were issued and outstanding and, therefore, eligible to vote at the meeting.

***What are my voting rights?***

Holders of our Class A common stock are entitled to one vote per share. There are currently no shares of our non-voting Class B common stock outstanding. Therefore, a total of 116,056,645 votes are entitled to be cast at the meeting. There is no cumulative voting.

***How many shares must be present to hold the meeting?***

In accordance with our bylaws, shares equal to a majority of our capital stock issued and outstanding and entitled to vote as of the record date must be present at the annual meeting in order to hold the meeting and conduct business. This is called a quorum. Shares are counted as present at the meeting if:

- you are present and vote in person at the meeting; or
- you have properly and timely submitted your proxy as described below under "How do I submit my proxy?"

***What is a proxy?***

It is your designation of another person to vote stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. When you designate a proxy, you also may direct the proxy how to vote your shares. We refer to this as your "proxy vote." Two of our officers, Peter A. Cohen, our Chairman and Chief Executive Officer, and Owen S. Littman, our General Counsel and Secretary, have been designated as proxies for our 2013 annual meeting of stockholders.

***What is a proxy statement?***

It is a document that we are required to give you, in accordance with regulations promulgated by the Securities and Exchange Commission, or the SEC, when we ask you to designate proxies to vote your shares of Cowen Group, Inc. Class A common stock at a meeting of our stockholders. The proxy statement includes information regarding the matters to be acted upon at the meeting and certain other information required by regulations promulgated by the SEC and rules of the Nasdaq Stock Market.

***What is the difference between a stockholder of record and a "street name" holder?***

If your shares are registered directly in your name, you are considered the stockholder of record with respect to those shares. If your shares are held in a stock brokerage account or by a bank, trust or other custodian, then the broker, bank, trust or other custodian is considered to be the stockholder of record with respect to those shares, while you are considered to be the beneficial owner of those shares. In the latter case, your shares are said to be held in "street name." Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other custodian how to vote their shares using the method described below under "How do I submit my proxy?"

***How do I submit my proxy?***

If you are a stockholder of record or if you hold restricted stock, you can submit a proxy to be voted at the meeting in any of the following ways:

- electronically, using the Internet;
- over the telephone by calling a toll-free number; or
- by completing, signing and mailing the enclosed proxy card.

If you hold your shares in street name, you can vote your shares in the manner prescribed by your broker, bank, trust or other custodian. Your broker, bank, trust company or other custodian has enclosed or otherwise provided a voting instruction card for you to use in directing the broker, bank, trust company or other custodian how to vote your shares.

***What does it mean if I receive more than one set of proxy materials?***

If you receive more than one set of proxy materials or multiple control numbers for use in submitting your proxy, it means that you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card or voting instruction card you receive or, if you submit your proxy by Internet or telephone, vote once for each card or control number you receive

***Can I vote my shares in person at the meeting?***

If you are a stockholder of record, you may vote your shares in person at the meeting by completing a ballot at the meeting. Even if you currently plan to attend the meeting, we recommend that you also submit your proxy as described above so your vote will be counted if you later decide not to attend the meeting. If you submit your vote by proxy and later decide to vote in person at the annual meeting, the vote you submit at the meeting will override your proxy vote.

If you are a street name holder, you may vote your shares in person at the meeting only if you obtain and bring to the meeting a signed letter or other form of proxy from your broker, bank, trust or other custodian giving you the right to vote the shares at the meeting.

***How does the Board recommend that I vote?***

The Board of Directors recommends a vote:

- **FOR** all of the nominees for director; and
- **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Cowen Group, Inc. for the year ending December 31, 2013.

***What if I do not specify how I want my shares voted?***

If you are a stockholder of record or a holder of restricted stock and you submit a signed proxy card or submit your proxy by Internet or telephone but do not specify how you want to vote your shares on a particular manner, we will vote your shares:

- **FOR** all of the nominees for director; and
- **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Cowen Group, Inc. for the year ending December 31, 2013.

**Your vote is important. We urge you to vote, or to instruct your broker, bank, trust or other custodian how to vote, on all matters before the annual meeting.** If you are a street name holder and fail to instruct the stockholder of record how you want to vote your shares on a particular matter, those shares are considered to be "uninstructed." New York Stock Exchange rules determine the circumstances under which member brokers of the New York Stock Exchange may exercise discretion to vote "uninstructed" shares held by them on behalf of their clients who are street name holders. These rules generally permit member brokers to exercise voting discretion with respect to uninstructed shares only on certain routine matters, including the ratification of the selection of a company's independent registered public accounting firm, however, changes in regulation were made to take away the ability of your bank, broker or other record holder to vote your uninstructed shares in the election of directors on a discretionary basis. The rules do not permit member brokers to exercise voting discretion with respect to the election of directors. Therefore, member brokers may not vote uninstructed shares on the election of directors. An uninstructed share that is not voted by a broker, bank or other custodian is sometimes referred to as a "broker non-vote." A broker non-vote will not have any effect on the approval or rejection of the proposal. For more information regarding the effect of broker non-votes on the outcome of the vote, see below under "How are votes counted?"

***Can I change or revoke my vote after submitting my proxy?***

Yes. If you are a record holder or a holder of restricted stock, you may revoke your proxy and change your vote at any time before your proxy is voted at the annual meeting, in any of the following ways:

- by submitting a later-dated proxy by Internet or telephone before the deadline stated on the enclosed proxy card;
- by submitting a later-dated proxy to the corporate secretary of the Company, which must be received by us before the time of the annual meeting;
- by sending a written notice of revocation to the corporate secretary of the Company, which must be received by us before the time of the annual meeting; or
- by voting in person at the meeting.

If you are a street name holder, please refer to the voting instructions provided to you by your broker, bank, trust or other custodian.

***What vote is required to approve each item of business included in the notice of meeting?***

<b>Proposal 1: Election of Directors</b>	The nine nominees for director will be elected by an affirmative vote of a majority of the votes cast by holders of our Class A common stock present in person or by proxy and entitled to vote on the proposal at the Annual Meeting.
<b>Proposal 2: Ratification of the Selection of Our Independent Public Accountant</b>	To be approved by our stockholders, this proposal requires the affirmative vote of a majority of the votes cast by holders of our Class A common stock present in person or by proxy and entitled to vote on the proposal at the Annual Meeting.

***How are votes counted?***

You may either vote "FOR" or "WITHHOLD" authority to vote for each director nominee. You may vote "FOR," "AGAINST" or "ABSTAIN" on the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditor for the year ending December 31, 2013. If you properly submit your proxy but withhold authority to vote for one or more director nominees or abstain from voting on the other proposal, your shares will be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of shares present in person or by proxy at the Annual Meeting with respect to a proposal, and, therefore, will have the effect of votes against the proposal. If you do not submit your proxy or voting instructions and also do not vote by ballot at the annual meeting, your shares will not be counted as present at the meeting for the purpose of determining either (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of shares present in person or by proxy at the Annual Meeting with respect to a proposal unless you hold your shares in street name and the broker, bank, trust or other custodian has discretion to vote your shares and does so. For the avoidance of doubt, broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting but will have no effect on the outcome of the vote for any proposal. For more information regarding discretionary voting, see the information above under "What if I do not specify how I want my shares voted?"

***What constitutes a quorum for the meeting?***

Under Delaware law and the Company's by-laws, the presence of a quorum is required to transact business at the Annual Meeting. A quorum is defined as any number of stockholders, together holding at least a majority of the capital stock of the Company issued and outstanding and entitled to vote, who shall be present in person or represented by proxy at the Annual Meeting.

***Will my vote be kept confidential?***

Yes. We have procedures to ensure that, regardless of whether you vote by Internet, telephone, mail or in person:

- all proxies, ballots and voting tabulations that identify stockholders are kept permanently confidential, except as disclosure may be required by federal or state law or expressly permitted by a stockholder; and
- voting tabulations are performed by an independent third party.

***How can I attend the meeting?***

All of our stockholders are invited to attend the annual meeting. You may be asked to present valid photo identification, such as a driver's license or passport, before being admitted to the meeting. If you hold your shares in street name, you also may be asked to present proof of ownership to be admitted to the meeting. A brokerage statement or letter from your broker, bank, trust or other custodian proving ownership of the shares on April 22, 2013, the record date, are examples of proof of ownership.

To help us plan for the meeting, please let us know whether you expect to attend, by responding affirmatively when prompted during Internet or telephone voting or by marking the attendance box on the proxy card.

***Who pays for the cost of proxy preparation and solicitation?***

Cowen Group, Inc. pays for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokers, banks, trusts or other custodians for forwarding proxy materials to street name holders. We are soliciting proxies primarily by mail. In addition, our directors, officers and regular employees may solicit proxies by telephone or facsimile or personally. Our directors, officers and regular employees will receive no additional compensation for their services other than their regular compensation.

**ITEM 1—ELECTION OF DIRECTORS**

Peter A. Cohen, Katherine Elizabeth Dietze, Steven Kotler, Jerome S. Markowitz, Jack H. Nusbaum, Jeffrey M. Solomon, Thomas W. Strauss, John E. Toffolon, Jr. and Joseph R. Wright have been nominated for re-election to the Board to serve until our 2014 annual meeting of shareholders or until their successors are elected and qualified. Each of the nominees has agreed to serve as a director if elected. If, for any reason, any nominee becomes unable to serve before the annual meeting occurs, the persons named as proxies may vote your shares for a substitute nominee selected by our Board of Directors.

If all director nominees are elected at our Annual Meeting, the Board will consist of nine directors.

**The Board of Directors recommends a vote FOR the election of the director nominees. Proxies will be voted FOR the election of the nominees unless otherwise specified.**

Each nominee to our Board of Directors brings unique capabilities to the Board. The Board believes that the nominees as a group have the experience and skills in areas such as business management, strategic development, corporate governance, leadership development, asset management, investment banking, finance and risk management and other relevant experience required to build a Board that is effective and responsive to the needs of the Company. In addition, the Board believes that each of our directors possesses sound judgment, integrity, high standards of ethics and a commitment to representing the long-term interests of our shareholders.

Set forth below is biographical information for each of the nominees for election as director and for the directors who will not stand for reelection. All ages are as of April 22, 2013.

**Peter A. Cohen.** Age 66. Mr. Cohen serves as Chairman of the Company's Board of Directors and Chief Executive Officer of Cowen Group and serves as a member of the Management and Operating Committees of Cowen Group since November 2009. Mr. Cohen is a founding principal of RCG Holdings LLC, or RCG, which was the entity that owned the Ramius business prior to the combination of Ramius and Cowen Holdings, Inc., or Cowen Holdings, in November 2009. From November 1992 to May 1994, Mr. Cohen was Vice Chairman and a director of Republic New York

Corporation, as well as a member of its executive management committee. Mr. Cohen was also Chairman of Republic's subsidiary, Republic New York Securities Corporation. Mr. Cohen was Chairman of the Board and Chief Executive Officer of Shearson Lehman Brothers from 1983 to 1990. Over his career, Mr. Cohen has served on a number of corporate, industry and philanthropic boards, including the New York Stock Exchange, The Federal Reserve International Capital Markets Advisory Committee, The Depository Trust Company, The American Express Company, Olivetti SpA, Telecom Italia SpA, Kroll, Inc. and L-3 Communications. He is presently a Trustee of Mount Sinai Medical Center, Vice Chairman of the Board of Directors of Scientific Games Corporation and a Director of Safe Auto Insurance. Mr. Cohen provides the Board with extensive experience as a senior leader of large and diverse financial institutions, and, as Chief Executive Officer, he will be able to provide in-depth knowledge of the Company's business and affairs, management's perspective on those matters and an avenue of communication between the Board and senior management.

**Katherine Elizabeth Dietze.** Age 55. Ms. Dietze was appointed to our Board in June 2011 upon the completion of Cowen Group's acquisition of LaBranche & Co., Inc., or LaBranche. Ms. Dietze was a member of LaBranche's Board of Directors since January 2007. Ms. Dietze spent over 20 years in the financial services industry prior to her retirement in 2005. From 2003 to 2005, Ms. Dietze was Global Chief Operating Officer for the Investment Banking Division of Credit Suisse First Boston. From 1996 to 2003, she was a Managing Director in Credit Suisse First Boston's Telecommunications Group. Prior to that, Ms. Dietze was a Managing Director and Co-Head of the Telecommunications Group in Salomon Brothers Inc's Investment Banking Division. Ms. Dietze began her career at Merrill Lynch Money Markets after which she moved to Salomon Brothers Inc to work on money market products and later became a member of the Investment Banking Division. Ms. Dietze is a member of the board of directors, a member of the Audit Committee and Chair of the Finance Committee of Matthews International Corporation (MATW), a designer, manufacturer and marketer of memorialization products and brand solutions. Ms. Dietze is also a member of the Board of Trustees of Liberty Property Trust (LRY), a self-administered and self-managed Maryland real estate investment trust, which provides leasing, property management, development, acquisition, and other tenant-related services for a portfolio of industrial & office properties. Ms. Dietze holds a B.A. from Brown University and an M.B.A. from Columbia Graduate School of Business. Ms. Dietze provides the Board with extensive experience in Investment Banking management and corporate governance expertise as a public company director.

**Steven Kotler.** Age 66. Mr. Kotler was elected to our Board on June 7, 2010. Mr. Kotler currently serves as Vice Chairman of the private equity firm Gilbert Global Equity Partners, which he joined in 2000. Prior to joining Gilbert Global, Mr. Kotler, for 25 years, was with the investment banking firm of Schroder & Co. and its predecessor firm, Wertheim & Co., where he served in various executive capacities including President & Chief Executive Officer, and Group Managing Director and Global Head of Investment and Merchant Banking. Mr. Kotler is a Director of CPM Holdings, an international agricultural process equipment company; and a Capital Partner of The Archstone Partnerships. Mr. Kotler is a member of the Council on Foreign Relations; and, from 1999-2002, was Council President of The Woodrow Wilson International Center for Scholars. Mr. Kotler has previously served as a Governor of the American Stock Exchange, The New York City Partnership and Chamber of Commerce's Infrastructure and Housing Task Force, The Board of Trustees of Columbia Preparatory School; and, the Board of Overseers of the California Institute of the Arts. Mr. Kotler also previously served as a Director of Cowen Holdings from September 2006 until June 2007. Mr. Kotler provides the Board with extensive experience in leading an international financial institution and expertise in private equity.

**Jerome S. Markowitz.** Age 73. Mr. Markowitz is our Lead Independent Director and has served as a member of our Board since November 2009. Mr. Markowitz was a Senior Partner at Conifer Securities LLC, a boutique servicing the operational needs of investment managers, from 2006 through

May 2011. From 1998 to 2006, Mr. Markowitz was actively involved in managing a private investment portfolio. Prior to 1998, Mr. Markowitz was Managing Director and a member of the executive committee at Montgomery Securities and was responsible for starting their private client, high yield, equity derivatives and prime brokerage divisions. Prior to joining Montgomery, Mr. Markowitz was a Managing Director of L.F. Rothschild's Institutional Equity Department. Mr. Markowitz is a director and serves on the investment committee of Market Axess Inc., and also formerly served on the advisory board of Thomas Weisel Partners Group, Inc. Mr. Markowitz provides the Board with extensive experience in asset management and investment banking, as well as experience as a public company director.

**Jack H. Nusbaum.** Age 72. Mr. Nusbaum has served as a member of our Board since November 2009. Mr. Nusbaum is a Senior Partner of the New York law firm of Willkie Farr & Gallagher LLP. Mr. Nusbaum served as the firm's Chairman from 1987 through 2009 and has been a partner in that firm for more than forty years. Willkie Farr & Gallagher LLP is outside counsel to Cowen Group. Mr. Nusbaum is also a director of W. R. Berkley Corporation. Mr. Nusbaum provides the Board with experience as senior management of an international law firm and provides extensive legal and corporate governance expertise.

**Jeffrey M. Solomon.** Age 47. Jeffrey Solomon is Chief Executive Officer of Cowen and Company, a Cowen Group company, and was appointed a Director of Cowen Group in December 2011. Mr. Solomon serves as a member of the Management and Operating Committees of Cowen Group. Mr. Solomon is responsible for overseeing all of Cowen and Company's businesses, including Investment Banking, Capital Markets, Sales & Trading and Research. Previously, Mr. Solomon served as Cowen Group's Chief Operating Officer and Head of Investment Banking at Cowen and Company. Mr. Solomon joined Ramius, Cowen Group's investment management division, when it was founded in 1994 and was responsible for the development, management and oversight of a number of the investment strategies employed by Ramius. From 1991 to 1994, Mr. Solomon was at Republic New York Securities Corporation, the brokerage affiliate of Republic National Bank, now part of the HSBC Group, where he was the firm's Chief Administrative Officer. Prior to Republic, Mr. Solomon was in the Mergers and Acquisitions Group at Shearson Lehman Brothers. Currently, Mr. Solomon is a member of the Committee on Capital Markets Regulation. He is also on the Board of Directors of NuGo Nutrition, the manufacturer of NuGo Nutrition Bars. Mr. Solomon graduated from the University of Pennsylvania in 1988 with a B.A. in Economics. Mr. Solomon provides the board with institutional knowledge of all aspects of the Company's businesses.

**Thomas W. Strauss.** Age 70. Mr. Strauss is Vice Chairman of Cowen Group, Inc. and is the Chairman of Ramius LLC. Mr. Strauss was appointed a Director of Cowen Group in December 2011. Mr. Strauss previously served as Chief Executive Officer and President of Ramius Alternative Investments since February 8, 2010 and serves as a member of the Management and Operating Committees of Cowen Group. Mr. Strauss previously served as Chief Executive Officer and President of Ramius Alternative Solutions. Mr. Strauss is a founding principal of RCG. From 1963 to 1991, Mr. Strauss was with Salomon Brothers Inc. where he was admitted as a General Partner in 1972 and was appointed to the Executive Committee in 1981. In 1986, he became President of Salomon Brothers and a Vice Chairman and member of the Board of Directors of Salomon Inc., the holding company of Salomon Brothers and Phibro Energy, Inc. In 1993, Mr. Strauss became Co-Chairman of Granite Capital International Group. Mr. Strauss is a former member of the Board of Governors of the American Stock Exchange, the Chicago Mercantile Exchange, the Public Securities Association, the Securities Industry Association, the Federal Reserve International Capital Markets Advisory Committee and the U.S. Japan Business-Council. He is a past President of the Association of Primary Dealers in U.S. Government Securities. Mr. Strauss currently serves on the Board of Trustees of the U.S.-Japan Foundation and is a member of the Board of Trustees and Executive Committee of Mount Sinai

Medical Center and Mount Sinai-NYU Health System. Mr. Strauss provides the Board with extensive experience in both investment banking and asset management.

**John E. Toffolon, Jr.** Age 62. Mr. Toffolon has served as a member of our Board since November 2009. Mr. Toffolon served as non-Executive Chairman of Cowen Holdings, from July 2008 through the closing of the business combination of Cowen Holdings and Ramius in November 2009. Mr. Toffolon previously served as Cowen Holding's Lead Independent Director from June 2007 until his appointment as Chairman, and has been a member of Cowen Holding's Board of Directors and has served as the Chairman of Cowen Holding's Audit Committee since September 2006. Since May 2009, Mr. Toffolon has served as a member of the Board of Directors and as the Chairman of the Audit Committee and a member of the Compensation Committee, as well as Nominating Committee of Westway Group, Inc., a leading global provider of bulk liquid storage services. Previously, Mr. Toffolon, in his capacity as a partner of The Shermen Group, served as the Chief Financial Officer and a member of the Board of Directors of Shermen WSC Acquisition Corp. since August 2006 until the business combination with Westway in May 2009. From 2001 to 2003, Mr. Toffolon served as an advisor to the Chairman and Chief Executive Officer of Royster-Clark, Inc., a privately-held chemicals distribution company. From 1992 to 2000, Mr. Toffolon served in various capacities, including Executive Managing Director, Chief Financial Officer and Chief Administrative Officer for Nomura Holding America, Inc. and Nomura Securities International, Inc. Mr. Toffolon also served as a member of the Boards of Directors of both Nomura companies. From 1979 to 1990, Mr. Toffolon worked at The First Boston Corporation as a Managing Director in various capacities, including Chief Financial Officer and served on the Management and Capital Commitment Committees. Mr. Toffolon has significant public company experience as well as expertise in risk management and finance. The Board also determined that Mr. Toffolon is an Audit Committee financial expert under the applicable rules of the SEC.

**Joseph R. Wright.** Age 74. Mr. Wright has served as a member of our Board since November 2009. Mr. Wright serves as a senior advisor to Chart Capital Partners and the Comvest Group, is Chairman of the Investment Committee of the ClearSky Fund of NextEra and is Executive Chairman of the Board of MTN Satellite Communications. Prior to this, Mr. Wright was senior advisor of Providence Equity, LLC, CEO of Scientific Games Corporation, Chairman of Intelsat, CEO of PanAmSat and Chairman of GRC International—all who provided communication and other services to governments around the world. He was also Co-chairman of Baker & Taylor Holdings and EVP/Vice Chairman of W. R. Grace & Company. Mr. Wright was a member of President Reagan's Cabinet, was Director and Deputy Director of the White House Office of Management and Budget from 1982 to 1989 and was Deputy Secretary of the Department of Commerce from 1981 to 1982. He received the Distinguished Citizens Award from President Reagan in 1988. Mr. Wright provides the Board with significant senior management expertise as well as experience as a director of a public company. He also provides the Board with significant experience in public affairs.

## INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our Board of Directors believes that good corporate governance is important to ensure that Cowen Group, Inc. is managed for the long-term benefit of its stockholders. This section describes key corporate governance guidelines and practices that our Board has adopted. Complete copies of our Corporate Governance Guidelines, the charters of our Audit, Compensation, Nominating and Corporate Governance Committees and our Code of Ethics and Business Conduct are available on the investor relations section of our website, [www.cowen.com](http://www.cowen.com). Alternatively, you can request a copy of these documents by writing to Cowen Group, Inc., Attn: Corporate Secretary, 599 Lexington Avenue, New York, NY, 10022.

## **Corporate Governance Guidelines**

Our Board has adopted corporate governance guidelines to assist in the exercise of its duties and responsibilities and to serve the best interests of the Company and our stockholders. These guidelines, which provide a framework for the conduct of the Board's business, provide that:

- the Board's goal is to oversee and direct management in building long-term value for the Company's stockholders;
- a majority of the members of the Board shall be independent directors;
- the independent directors shall meet regularly in executive session;
- directors have access to management and, as appropriate, to the Company's outside advisors;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and
- at least annually, the Board and its committees conduct a self-evaluation to determine whether they are functioning effectively.

## **Director Independence**

Under applicable Nasdaq Stock Market rules, a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our Board has determined that none of Ms. Dietze, nor Messrs. Kotler, Markowitz, Nusbaum, Toffolon or Wright currently has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an "independent director" as defined under Rule 4200(a)(15) of the Nasdaq Stock Market, Inc. Marketplace Rules.

Messrs. Cohen, Solomon and Strauss cannot be considered independent directors under Nasdaq Stock Market rules because Mr. Cohen is employed as our Chief Executive Officer, Mr. Solomon is employed as Chief Executive Officer of Cowen and Company, LLC, our broker-dealer subsidiary and Mr. Strauss is employed as our Vice Chairman and Chairman of Ramius LLC, our investment management subsidiary. Therefore, the Board of Directors has determined that six of our nine director nominees are independent.

## **Board Leadership Structure**

Mr. Cohen serves in the combined roles of chairman and chief executive officer. We believe that Mr. Cohen's combined service as chairman and chief executive officer provides the Company with (i) a unified strategic and operating focus, (ii) the benefit of clarity in the management structure of the organization, and (iii) consistency of communications to shareholders, customers, regulators and other constituencies. This structure also best assures that the leader of the organization is closely connected with both the Company's senior level managers and the Board and is therefore better able to appreciate and balance the perspectives of both groups. To establish a liaison between the non-management directors and the Chairman and CEO and thus facilitate effective communication between them, as well as to facilitate the deliberations of the non-management directors in executive session, the Board also appoints a lead director who is independent. This position is currently held by Mr. Markowitz.

## **The Board's Role in Risk Oversight**

Our Board's oversight of our risk management processes is effected primarily through our Audit Committee. Our Audit Committee periodically meets with senior executives responsible for risk oversight to review and discuss the material risks facing the Company, including operational, market, credit, liquidity, legal and regulatory risks, and to assess whether management has reasonable controls in place to address these risks. The Audit Committee is also responsible for ensuring that management has established processes and an enterprise risk management framework and governance structures designed to identify, bring to the Board's and/or the Audit Committee's attention, and appropriately manage, monitor, control and report exposures to the major risks affecting Cowen Group. In addition to the Audit Committee, the Compensation Committee separately reviews and discusses with management whether our compensation arrangements are consistent with effective controls and sound risk management. The Board evaluates the Company's risk profile on a quarterly basis.

## **Board Meetings and Attendance**

Our Board met five times from January 1, 2012 through December 31, 2012. Each director attended at least 75% of the aggregate number of Board meetings and the number of meetings held by all committees on which he or she then served.

## **Director Attendance at Annual Meeting of Stockholders**

Our Corporate Governance Guidelines provide that directors are invited and encouraged to attend the annual meeting of stockholders. Messrs. Cohen, Solomon, Strauss and Wright attended the 2012 Annual Meeting of Stockholders.

## **Committees of the Board**

Our Board has established three standing committees—Audit, Compensation, and Nominating and Corporate Governance—each of which operates under a charter that has been approved by our Board. Current copies of each committee's charter are posted on the investor relations section of our website, [www.cowen.com](http://www.cowen.com). Alternatively, you can request a copy of these documents by writing to Cowen Group, Inc., Attn: Corporate Secretary, 599 Lexington Avenue, New York, NY, 10022.

### ***Audit Committee***

The Audit Committee's responsibilities include:

- being directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- reviewing the performance of the independent registered public accounting firm and making the decision to replace or terminate the independent registered public accounting firm or the lead partner;
- evaluating the independence of the registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm and the head of the Company's internal audit department all critical accounting policies and practices;
- reviewing the adequacy and effectiveness of the Company's accounting and internal control policies and procedures;
- discussing our risk management policies;

- reviewing and discussing with the independent registered public accounting firm the results of the year-end audit of the Company;
- establishing and implementing policies and procedures for the Committee's review and approval or disapproval of proposed related party transactions; and
- preparing the audit committee report required by SEC rules, which is included on page 39 of this proxy statement.

The current members of our Audit Committee are Mr. Toffolon, (Chairperson), Ms. Dietze, and Mr. Wright. Our Board of Directors has determined that Mr. Toffolon is an "audit committee financial expert" as defined by applicable SEC rules. Our Audit Committee met five times from January 1, 2012 through December 31, 2012.

#### ***Compensation Committee***

The Compensation Committee's responsibilities include:

- annually reviewing the goals and objectives of the Company's executive compensation plans;
- annually reviewing the Company's executive compensation plans in light of the Company's goals and objectives;
- annually evaluating the CEO's and other executive officers' performance and determining and approving the CEO's and other executive officers' compensation level based on such evaluation;
- overseeing and administering our equity and incentive compensation plans, with the oversight of the full Board of Directors;
- annually reviewing the compensation process of the Company's equity research personnel to ensure compliance with applicable laws, rules and regulations;
- reviewing and discussing annually with management our "Compensation Discussion and Analysis," which is included beginning on page 16 of this proxy statement; and
- preparing the compensation and benefits committee report required by SEC rules, which begins on page 26 of this proxy statement.

The processes and procedures followed by our Compensation Committee in considering and determining executive and director compensation are described below under the heading "Director Compensation" on page 14 and in the Compensation Discussion and Analysis section beginning on page 16.

The current members of our Compensation Committee are Messrs. Markowitz (Chairperson), Kotler and Toffolon.

Our Compensation Committee met two times from January 1, 2012 through December 31, 2012.

#### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee's responsibilities include:

- assisting in identifying, recruiting and interviewing director candidates, including persons suggested by stockholders;
- reviewing the background and qualifications of individuals being considered as director candidates;
- recommending to the Board the director nominees for election;

- annually reviewing with the Board the composition of the Board as a whole;
- recommending to the Board the size and composition of each standing committee of the Board;
- annually reviewing committee assignments and the policy with respect to the rotation of committee memberships and/or chairmanships;
- making recommendations on the frequency and structure of Board meetings;
- monitoring the functioning of the committees of the Board;
- annually reviewing the Corporate Governance Guidelines and recommending any changes to the Board; and
- overseeing the self-evaluation of the Board as a whole and the self-evaluation of each Board committee.

The processes and procedures followed by the Nominating and Corporate Governance Committee in identifying and evaluating director candidates are described below under the heading "Director Nomination Process" on page 13 of this proxy statement.

The current members of our Nominating and Corporate Governance Committee are Mr. Kotler (Chairperson) and Ms. Dietze. Our Nominating and Corporate Governance Committee met two times from January 1, 2012 through December 31, 2012.

Our Board has determined that all of the members of the Board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent as defined under the rules of the Nasdaq Stock Market, and the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, or the Exchange Act, as applicable.

### **Executive and Director Compensation Processes**

For a discussion of our process relating to executive officer compensation, please see "Compensation Discussion and Analysis" included elsewhere in this proxy statement.

The Nominating and Corporate Governance Committee is responsible for periodically reviewing the level and form of compensation of our non-employee directors, including how such compensation compares to director compensation of companies of comparable size, industry and complexity, and for making recommendations to the Board with respect to such compensation. For a description of the annual compensation paid to each non-employee director, please see "Compensation Program for Non-Employee Directors" below.

The Board has delegated to a New Hire Retention Award Committee limited authority to grant equity awards under our existing equity compensation plans. Mr. Cohen is the sole member of the New Hire Retention Award Committee. The New Hire Retention Award Committee may only grant equity awards in connection with the hiring of new employees, the retention of existing employees and in connection with significant promotions. The New Hire Retention Award Committee may not grant or modify awards to named executive officers or certain other senior employees. Subject to aggregate and individual share limitations established by the Board, the New Hire Retention Award Committee has the authority to determine the recipient of the award as well as the type and amount of the award.

## **Director Nomination Process**

The process to be followed by our Nominating and Corporate Governance Committee to identify and evaluate Director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the Board.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended Director nominees, our Nominating and Corporate Governance Committee will apply the criteria set forth in the Committee's charter and in our Corporate Governance Guidelines. These criteria include the candidate's experience, skills, expertise, diversity, integrity, character, business judgment, time availability, dedication, age, conflicts of interest, reputation for honesty and ethical conduct, material relationships with the Company and independence from management and the Company. The Committee will not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. Our Board believes that the backgrounds and qualifications of its Directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow it to fulfill its responsibilities. Our Corporate Governance Guidelines require that if there is a significant change in a Director's primary job responsibilities, that director must notify the Board of Directors and the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee may recommend to the Board that the director tender his or her resignation. In addition, our Corporate Governance Guidelines require that any Director attaining the age of 75 must annually tender his or her proposed retirement from the Board, and the Nominating and Corporate Governance Committee shall recommend to the Board whether it should accept such proposed retirement or request that the director continue to serve on the Board.

Stockholders may recommend individuals to our Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting to the Nominating and Corporate Governance Committee the proposed director's name, age, business address, principal occupation and principal qualifications. The stockholder making the recommendation must include a statement as to the amount of shares beneficially owned by the stockholder and a statement as to whether the proposed director has consented to serve as a director if elected. Stockholders should send all notices to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Cowen Group, Inc., 599 Lexington Avenue, New York, NY, 10022. Stockholders may make recommendations at any time, but recommendations for consideration as nominees at the next annual meeting of stockholders must be received not less than 120 days before the first anniversary of the date that the proxy statement was first mailed to stockholders in connection with the previous year's annual meeting. Assuming that appropriate biographical and background material has been provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate stockholder-recommended candidates by following the same process, and applying the same criteria, as it follows for candidates submitted by others. If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in the Company's proxy card for the next annual meeting.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or the Board, by following the procedures set forth under "Procedures for Nominating Director Candidates."

### **Procedures for Nominating Director Candidates**

Stockholders may directly nominate a person for election to our Board by complying with the procedures set forth in Article III, Section 3 of our bylaws, and with the rules and regulations of the SEC. Under our bylaws, only persons nominated in accordance with the procedures set forth in the bylaws will be eligible to serve as directors. In order to nominate a candidate for service as a director, you must be a stockholder at the time you give the Board notice of your nomination, and you must be entitled to vote for the election of directors at the meeting at which your nominee will be considered. In accordance with our bylaws, director nominations generally must be made pursuant to notice to our Corporate Secretary delivered to or mailed and received at our principal executive offices at 599 Lexington Avenue, New York, NY, 10022, not later than the 90th day, nor earlier than the 120th day, prior to the first anniversary of the prior year's annual meeting of stockholders. Your notice must set forth (i) the name, age, business address and residence address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) the class or series and number of shares of capital stock of Cowen Group, Inc. owned beneficially or of record by the nominee, and (iv) all other information relating to the nominee that is required to be disclosed in solicitations of proxies for the election of directors in an election contest, or is otherwise required, in each case pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

### **Procedures for Contacting the Board of Directors**

Our Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The Chairman of the Board of Directors, with the assistance of our General Counsel, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the General Counsel considers to be important for the directors to know. In general, communications relating to corporate governance and corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to our Board should address such communications to Board of Directors, c/o Corporate Secretary, Cowen Group, Inc., 599 Lexington Avenue, New York, NY, 10022.

### **Code of Business Conduct and Ethics**

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code on our website, [www.cowen.com](http://www.cowen.com). In addition, we intend to post on our website all disclosures that are required by law or Nasdaq Stock Market listing standards concerning any amendments to, or waivers from, any provision of the code. You may also request a copy of the code by writing to Cowen Group, Inc., Attn: Corporate Secretary, 599 Lexington Avenue, New York, NY 10022.

### **Director Compensation**

The following table sets forth compensation information for our non-employee directors for the year ended December 31, 2012.

**Director Compensation Table**

<b>Director</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)(1)</b>	<b>Total</b>
Katherine Elizabeth Dietze	75,000	75,001	150,001
Steven Kotler	75,000	75,001	150,001
Jerome S. Markowitz(2)	—	155,002	155,002
Jack H. Nusbaum(2)	—	155,002	155,002
John E. Toffolon, Jr.	80,000	80,002	160,002
Joseph R. Wright(2)	—	150,001	150,001

- (1) Represents the aggregate grant date fair value calculated in accordance with generally accepted accounting principles. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for 2012, as filed with the SEC.
- (2) In 2012, Messrs. Markowitz, Nusbaum and Wright elected to receive 100% of their director compensation in restricted stock units ("RSUs"). Please see "Narrative Disclosure Relating to Director Compensation Table" below for additional information regarding non-employee director compensation in 2012.

**Narrative Disclosure Relating to Director Compensation Table**

In 2012, each of our Directors received annual compensation of \$150,000. The Chairman of each of the Compensation Committee and the Nominating and Corporate Governance Committee received additional compensation of \$5,000 per annum and the Chairman of the Audit Committee received additional compensation of \$10,000 per annum. For 2012, a minimum of 50% of director's compensation was paid in the form of restricted stock units ("RSUs"). In addition, each director was entitled to elect to receive any amount in excess of 50% of 2012 compensation in the form of RSUs. The restricted stock units are vested and not subject to forfeiture; however, except in the event of death, the underlying shares of Cowen Group, Inc. Class A common stock will not be delivered to the holder for at least one year from the date of grant. These equity awards are intended to further align the interests of our Directors with those of our stockholders. Directors who also are employed as executive officers of the Company receive no additional Director compensation.

**EXECUTIVE OFFICERS OF THE COMPANY**

Biographies of the current executive officers of the Company are set forth below, excluding Messrs. Cohen's, Solomon's and Strauss' biographies, which are included under "Directors of the Company" above. Each executive officer serves at the discretion of the Board of Directors.

**Stephen A. Lasota.** Age 50. Mr. Lasota serves as Chief Financial Officer of Cowen Group and serves as a member of the Management and Operating Committees of Cowen Group. Mr. Lasota was appointed Chief Financial Officer in November 2009. Prior to the consummation of the business combination of Cowen Holdings and Ramius in November 2009, Mr. Lasota was the Chief Financial Officer of Ramius LLC and a Managing Director of the Company. Mr. Lasota began working at RCG in November 2004 as the Director of Tax and was appointed Chief Financial Officer in May 2007. Prior to joining RCG, Mr. Lasota was a Senior Manager at PricewaterhouseCoopers LLP. Mr. Lasota has been working in the accounting industry for over twenty years and is a Certified Public Accountant.

**Owen S. Littman.** Age 40. Mr. Littman serves as General Counsel and Secretary of Cowen Group and serves as a member of the Management and Operating Committees of Cowen Group. Mr. Littman

was appointed General Counsel and Secretary in July 2010. Following the consummation of the business combination of Cowen Holdings and Ramius in November 2009, Mr. Littman was appointed Deputy General Counsel, Assistant Secretary and Managing Director of Cowen Group and General Counsel and Secretary of Ramius LLC. Mr. Littman began working at RCG in October 2005 as its senior transactional attorney and was appointed General Counsel in February 2009. Prior to joining RCG, Mr. Littman was an associate in the Business and Finance Department of Morgan, Lewis & Bockius LLP.

## **EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS**

Our "named executive officers" for 2012 consist of the following individuals:

- Peter A. Cohen, who serves as our Chairman, Chief Executive Officer and President;
- Stephen A. Lasota, who serves as our Chief Financial Officer;
- Owen S. Littman, who serves as our General Counsel and Secretary;
- Jeffrey M. Solomon, who serves as Chief Executive Officer of Cowen and Company; and
- Thomas W. Strauss, who serves as our Vice Chairman and is the Chairman of Ramius LLC.

### **Executive Summary**

Overall, 2012 was a constructive year for Cowen Group and the compensation paid to the Company's executive officers reflects the progress made in 2012 relative to 2011. The following improvements in operating performance during 2012 (which are presented on an Economic Income basis) were considered important factors by the Compensation Committee when evaluating executive compensation, particularly the compensation paid to Mr. Cohen, the Chief Executive Officer of Cowen Group and Jeffrey Solomon, the Chief Executive Officer of Cowen and Company:

- Total revenue in 2012 was the highest since the Cowen/Ramius business combination in 2009. For the full year, total revenue was up 6.8% at \$288.6 million compared to \$270.2 million in 2011.
- The broker-dealer segment revenue increased to \$175.8 million, up 11% from 2011.
- Investment banking revenue increased 41% to \$71.8 million in 2012.
- Full year 2012 incentive income was \$15.2 million, a 47% increase over 2011.
- For the full year 2012, total expenses declined by \$29.7 million from 2011, in line with our expense reduction targets for 2012.
- For the full year 2012, the compensation to economic income revenue ratio improved to 66% from the 2011 compensation to economic income revenue ratio of 72%.

### **Compensation Philosophy and Objectives**

Our compensation programs, including compensation of our named executive officers, are designed to achieve three objectives:

- *Pay for Performance.* A significant portion of the total compensation paid to each named executive officer is variable. The amount of compensation paid is determined based on: (i) the performance of the Company on an absolute basis through a comparison of our results to competitor firms; (ii) an evaluation of each executive officer's contribution to the Company; and (iii) his performance against individualized qualitative goals.

- *Align Executive Officers' Interests with Stockholders' Interests.* Our Compensation Committee reviews each executive officer's performance as well as the Company's financial results in the context of the market environment when determining year end performance-related compensation. Our Compensation Committee believes year-end performance-related compensation should be delivered in a combination of short-term and long-term instruments. We believe that deferred cash, equity and equity-related instruments align the interests of our executive officers with those of our stockholders and ensure that our employees are focused on the long-term performance of the Company. In connection with fiscal 2012 bonus payments, all of our current named executive officers received a portion of their bonus in cash, a portion in deferred equity and a portion in deferred cash, in each case subject to service-based vesting requirements. In addition, pursuant to the terms of their employment agreements, Messrs. Solomon, Lasota and Littman received restricted stock unit grants in 2012, and Messrs. Strauss, Lasota and Littman received long-term incentive award grants in 2013 in the form of restricted stock units and stock appreciation rights ("SARs"). The SARs awards are intended to further align each executive's interest with the long term performance of the Company. The Compensation Committee believes that the payment of a significant portion of an employee's compensation in the form of equity and deferred cash properly aligns the employee's interests with those of the Company's stockholders and effectively mitigates any risks associated with the Company's compensation practices.
- *Recruiting and Retention.* We operate in an intensely competitive industry, and we believe that our success is closely related to our recruiting and retention of highly talented employees and a strong management team. We try to keep our compensation program comparable to industry practices so that we can continue to recruit and retain talented executive officers and employees.

## **Setting Compensation**

The Compensation Committee is responsible for approving the compensation paid to our named executive officers as well as certain other highly compensated employees. In making compensation determinations, the Compensation Committee reviews information presented to them by the Company's management, compensation peer group information and the recommendations of a compensation consultant engaged by the Committee. The Compensation Committee also reviews our compensation to revenue ratio on a quarterly basis and may adjust the targeted compensation to revenue ratio in order to maintain the Company's compensation philosophy of aligning the interests of our executive officers and our stockholders.

### ***Involvement of Executive Officers***

Our Chief Executive Officer, in consultation with our Chief Financial Officer, our General Counsel, our Chief Administrative Officer and employees in our Human Resources department, assists the Compensation Committee with its work. These individuals prepare information that is provided to, and reviewed by, the Compensation Committee and the Chief Executive Officer makes recommendations to the Compensation Committee for their consideration. Such information and recommendations include, among other things, the compensation that should be received by the executive officers and certain other highly compensated employees; financial information regarding the Company that should be reviewed in connection with compensation decisions; the firms to be included in a compensation peer group; and the evaluation and compensation process to be followed by the Compensation Committee. Our Chief Executive Officer is often invited to participate in Compensation Committee meetings; however, he recuses himself from all discussions regarding his own compensation.

### ***Compensation Consultant***

In December 2012, the Compensation Committee exercised its sole authority pursuant to its charter to directly engage Pay Governance LLC to provide advice as a compensation consultant. Pay Governance LLC was retained by the Compensation Committee to provide advice, analysis, and assessment of alternatives related to the amount and form of executive and director compensation. At the request of the Compensation Committee, Pay Governance LLC reviewed certain Compensation Committee presentation materials (including the peer group data described below) during December 2012 and early 2013 and advised the Compensation Committee on Chief Executive Officer compensation.

The Compensation Committee has assessed the independence of Pay Governance LLC pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Pay Governance LLC from independently representing the Compensation Committee. The Compensation Committee reviewed and was satisfied that there was no business or personal relationships between members of the Compensation Committee and the individuals at Pay Governance LLC supporting the Compensation Committee.

### ***Compensation Peer Group***

In making compensation decisions for 2012, our Compensation Committee reviewed compensation information for similarly titled individuals at comparable companies gathered from public filings made in 2012 related to 2011 annual compensation. In instances where an employee has responsibilities for both the broker-dealer and the alternative asset management businesses, both broker-dealers and alternative asset management companies were utilized. For 2012, our compensation peer group consisted of Greenhill & Co., Inc., Jefferies Group, Inc., Lazard LLC, Gleacher, JMP Group, Keefe Bruyette & Woods, Inc., Knight Capital Group, Piper Jaffray & Co., Stifel Financial, The Blackstone Group, Fortress Investment Group and Och-Ziff. The Compensation Committee identified these firms

because they were either similar in size or engaged in similar businesses. Management gathered and provided information to the Compensation Committee relating to the compensation of the executive officers of these peer firms, including annual base salary, annual cash bonus, equity awards and all other compensation. The Compensation Committee considered this data when determining named executive officers' 2012 annual bonuses and other compensation to ensure that our compensation levels were competitive relative to the compensation paid by our peer group. The Compensation Committee reviewed trends among these peer firms, but did not utilize the peer firm compensation as a benchmark for determining executive compensation.

### ***Advisory Vote on Executive Compensation***

The Compensation Committee believes that our executive compensation programs are effective in driving our pay-for-performance philosophy. As part of our corporate governance system, we evaluate our programs in light of market conditions, stockholder views, and governance considerations, and make changes as appropriate for our business. At our 2011 annual meeting, we held our first non-binding shareholder advisory vote on the compensation of our named executive officers. We had extremely strong support from our stockholders, with over 95% of the votes cast in favor of the compensation of our named executive officers. The Board of Directors reviewed this favorable outcome and believed it conveyed our stockholders' support of the Compensation Committee's decisions and the existing executive compensation programs. The Compensation Committee made no material changes to our executive compensation program or to the compensation of our named executive officers as a result of the advisory vote. At our 2011 annual meeting, our shareholders recommended that we hold non-binding shareholder advisory votes on executive compensation once every three years. Thereafter, our Board of Directors reviewed these results and determined that our shareholders should vote on a say-on-pay proposal every three years. Accordingly, our next advisory vote will take place at our 2014 annual meeting.

### **Compensation Program and Payments**

Our 2012 executive compensation consisted of base salary, certain limited perquisites and benefits, an annual bonus paid in the form of cash and deferred cash and equity awards, and, for certain of our named executive officers, annual incentive awards in the form of long-term equity incentive compensation. In addition, pursuant to their employment agreements, our named executive officers are eligible to receive certain payments upon a termination or change in control. Certain of our named executive officers also received equity awards in the form of restricted stock units in 2012 pursuant to their employment agreements.

### ***Base Salary***

The purpose of base salary is to provide a set amount of cash compensation for each executive officer that is not variable in nature and is generally competitive with market practices. We seek to limit the base salaries of our named executive officers such that a significant amount of their total compensation is contingent upon the performance of the Company and the named executive officer during the fiscal year. This was consistent with standard practice within the securities and asset management industries and we believe this allowed us to reward performance.

In 2012, Mr. Cohen received a base salary of \$950,000, Mr. Lasota received a base salary of \$450,000, Mr. Littman received a base salary of \$450,000, Mr. Solomon received a base salary of \$866,667 and Mr. Strauss received a base salary of \$600,000. The Compensation Committee determined that it was appropriate to increase the annual rate of base salary for Messrs. Lasota and Littman to \$450,000 per annum (which represents a 12.5% increase over their 2011 rates of base salary), effective retroactive to January 1, 2012, in connection with each of them entering into new employment agreements in August 2012, and to increase the annual rate of base salary for Mr. Solomon to \$950,000

per annum (which represents a 26.67% increase over his 2011 rate of base salary), effective as of June 1, 2012, in connection with his entering into a new employment agreement with the Company in May 2012. The Company increased the base salaries of each of Mr. Lasota, Mr. Littman and Mr. Solomon to ensure that their compensation remained competitive and to provide the executives with what was viewed as an appropriate level of cash compensation given the Company's practice of deferring a significant portion of performance-related compensation.

### ***Perquisites***

Historically, Ramius provided certain perquisites, including reimbursement of group term life and long-term disability insurance and tax and financial planning expenses, and the Company continues to provide these perquisites to certain members of senior management, including Messrs. Cohen, Solomon and Strauss. In addition, Mr. Cohen and Mr. Strauss are provided with a car and driver for business use. Messrs. Cohen and Strauss reimburse the Company for personal use of the car and driver.

### ***Annual Bonus Compensation***

A significant portion of total compensation our named executive officers are eligible to receive is in the form of a discretionary annual bonus. This is consistent with our view that a significant portion of compensation paid is to be based on the performance of the Company and of each executive officer. The annual bonus is paid partially in cash and partially in deferred cash and equity. The deferred components of the annual bonus are paid in lieu of, not in addition to, a cash payment and are subject to service-based vesting conditions, as discussed in more detail in the section below titled "2012 Annual Bonus Compensation and Annual Incentive Awards." The Compensation Committee believes that the practice of paying a portion of each named executive officer's annual bonus in the form of deferred awards is consistent with compensation practices at out peer companies and is useful tool to continue aligning the long-term interests of our named executive officers' with the interests of our stockholders.

During the first quarter of 2012, the Compensation Committee set the Company's achievement of positive economic income during the 2012 calendar year as the performance criteria for purposes of Section 162(m) for each of our named executive officers. However, given the Company's substantial federal income tax net operating loss carryforwards, the Compensation Committee determined that the loss of the deduction for payment of compensation in excess of \$1 million to any of our named executive officers despite the Company having negative economic income for 2012 would not negatively impact the Company, while the failure to pay bonuses to our named executive officers could potentially negatively impact the Company from a retention standpoint. At meetings held on January 29, 2013 and February 21, 2013, the Compensation Committee considered and discussed management's compensation recommendations for our named executive officers and the Compensation Committee approved management's recommendations. In determining the annual bonus compensation payable to each of our named executive officers for 2012, the Compensation Committee reviewed and considered the financial performance of the Company as a whole and each individual business unit compared to 2011; each named executive officer's contributions to the Company's growth initiatives in 2012; historical compensation information for each named executive officer; the Company's desire to retain and incentivize its named executive officers; the recommendations of the Chief Executive Officer regarding total compensation of our named executive officers, which the Compensation Committee discussed with the Chief Executive Officer; the financial performance of the Company during 2012 compared to comparable public companies and other companies in the securities industry; a review of public filings regarding total compensation paid by certain peer investment banks and alternative asset management companies; and base salary, cash bonus, equity awards and all other compensation paid by the compensation peer group. The Compensation Committee approved annual bonuses for each of our executive officers after review and consideration of these factors, as well as the following individual performance factors.

## Determination of Executive Officer Compensation for 2012

The following factors influenced the annual bonus determinations for each named executive officer for 2012:

- *Peter A. Cohen, Chairman, Chief Executive Officer and President.* In determining the compensation for Mr. Cohen in 2012, the Compensation Committee considered both operating results for 2012 as well as absolute and relative total returns to shareholders. The Compensation Committee recognized that significant operating performance achievements occurred during 2012 (including increased revenues, reduced overall compensation and non-compensation costs, and reduced ratio of compensation to revenue as discussed above) and that, while these operating improvements have not yet translated into significant stock price movement, they have positioned the business for greater success once economic/market conditions improve. The Compensation Committee reviewed competitive pay information for CEOs at peer firms and determined that Mr. Cohen's 2012 recommended compensation level was lower than the CEO compensation at most of our peer firms, which it considered to be appropriate given the year's performance. Mr. Cohen declined incentive compensation for 2011, but the Compensation Committee considered it appropriate to pay some level of incentive compensation for 2012 given the results. The Compensation Committee determined to pay Mr. Cohen's 2012 incentive payment approximately half in cash and half in stock in order to have a mix of short-term and long-term pay, but did not consider paying a larger portion in stock to be necessary given Mr. Cohen's significant stock holdings.
- *Stephen A. Lasota, Chief Financial Officer.* Mr. Lasota continued to improve upon the Company's public company financial reporting and risk management functions in 2012. He played the lead role in establishing procedures and increasing staff to ensure the Company's continued compliance with increased financial reporting requirements as a result of the Company's acquisitions of KDC Securities and Algorithmic Trading Management in 2012 and the associated expansion of our product offerings as a result of these transactions. Mr. Lasota played a significant role in managing the Company's business operations.
- *Owen S. Littman, General Counsel.* Mr. Littman's compensation reflected his contributions to the enhancement of the Company's compliance structure, management of the Company's outstanding litigation and regulatory matters as well as his focus on the Company's legal disclosure and corporate governance procedures. Mr. Littman played a significant role in managing the Company's business operations. Mr. Littman played a leading role in negotiating the acquisitions of KDC Securities and Algorithmic Trading Management in 2012.
- *Jeffrey M. Solomon, Chief Executive Officer of Cowen and Company.* Mr. Solomon's compensation was influenced by his significant contributions regarding the enhancement and repositioning of the Investment Banking and Capital Markets division of the Company's broker-dealer business as well as the hiring of new leadership for the Equity business and the Equity Research department. His establishment of a single comprehensive strategy at Cowen and Company following his appointment as CEO in October of 2011 has resulted in increased profitability in the broker-dealer business.
- *Thomas W. Strauss, Vice Chairman of Cowen Group, Inc. and Chairman of Ramius.* Mr. Strauss's compensation was influenced by his efforts expanding the Company's investment management business and expanding the Company's customized hedge fund products. Mr. Strauss also positioned the investment management business for future expansion through the hiring of Michael Singer as Chief Executive Officer of Ramius in 2012.

After determining the aggregate cash values of annual bonuses payable to each of our named executive officers in respect of fiscal 2012, the Compensation Committee then determined the

percentage of the annual bonus compensation that each of our named executive officers would receive in the form of deferred awards. Our Chief Executive Officer developed a proposal for the allocation of each named executive officer's annual bonus compensation among the cash, deferred cash and equity components and presented this proposal to the Compensation Committee, which it discussed and ultimately approved. The percentages of the annual bonuses delivered in the form of deferred cash and in the form of restricted stock units for Messrs. Cohen, Lasota, Littman, Solomon and Strauss are set out below under "Fiscal-Year Compensation." The cash bonus payments made to Messrs. Lasota and Littman are inclusive of the guaranteed annual cash bonus payments they are entitled to receive pursuant to their employment agreements, as discussed in more detail in the section below titled "Narrative Disclosure Relating to Summary Compensation Table and Grants of Plan-Based Awards Table—Employment Agreements." To eliminate the impact that a significant price change in the market value of our Class A common stock may have on the number of restricted stock units that are intended to be delivered to an employee, the Compensation Committee approved valuing the restricted stock units using the volume-weighted average price for the thirty business day period ended February 11, 2013, which equaled \$2.61 per share. All restricted cash and restricted stock units relating to fiscal 2012 were awarded to our named executive officers in March 2013.

#### ***Long-Term Incentive Awards***

In March 2013, Mr. Strauss received an incentive award of 75,000 restricted stock units, and each of Messrs. Lasota and Littman received incentive awards of 100,000 SARs. The Compensation Committee approved these retention grants in order to enable these individuals to benefit from future appreciation of the Company's stock price. The incentive awards are intended to reflect the importance of each recipient's contributions to the Company. With respect to Messrs. Lasota and Littman, the long-term incentive awards also serve as a tool to achieve an internally-balanced level of compensation and equity ownership among our executive officers. The incentive grants are subject to service-based vesting conditions, as discussed in more detail in the section below titled "2012 Annual Bonus Compensation and Annual Incentive Awards." The Compensation Committee believes that the vesting schedules applicable to the incentive grants provide an appropriate retention mechanism and properly align management's long-term interests with the interests of our stockholders.

#### ***Fiscal-Year Compensation***

No portion of the bonuses awarded in restricted cash, restricted stock units or SARs to our named executive officers for their fiscal 2012 performance is included in the Summary Compensation Table because the awards were made in 2013. The table below sets forth the total compensation awarded to the named executive officers for their fiscal 2012 performance. These amounts for 2012 include base salary information, the grant date fair market value of the entire amount of the equity awards granted to the named executive officers in March 2013, the value of the deferred cash awards granted to the named executive officers in March 2013 and the grant date fair market value of the incentive awards granted to Messrs. Lasota, Littman and Strauss in March 2013. We believe this information is helpful to understanding how our compensation program rewarded our executive officers for their

performance, and it reflects the way in which our Compensation Committee views aggregate compensation for our named executive officers on a fiscal-year basis.

Name	Year	Base Salary (\$)	Cash Bonus (\$)	Deferred Cash Award (\$)(1)	Restricted Stock Units(2) (\$)	SARs Awards(3) (\$)	Other Compensation(4) (\$)	Total Compensation (\$)
Peter A. Cohen(5)	2012	950,000	1,000,000 (47.4% of annual bonus)	—	1,111,112 (52.6% of annual bonus) (383,142 shares)		121,009	3,182,121
	2011	950,000	—	—			146,638	1,096,638
Stephen A. Lasota(6)	2012	450,000	450,000 (57% of annual bonus)	100,000 (12.7% of annual bonus)	239,465 (30.3% of annual bonus) (95,786 shares)	81,000 (100,000 SARs)	7,500	1,327,965
	2011	400,000	350,000	112,500	291,657 (101,978 shares)		7,350	1,161,507
Owen S. Littman(7)	2012	450,000	450,000 (57% of annual bonus)	100,000 (12.7% of annual bonus)	239,465 (30.3% of annual bonus) (95,786 shares)	81,000 (100,000 SARs)	7,500	1,327,965
	2011	400,000	350,000	112,500	291,657 (101,978 shares)		7,350	1,161,507
Jeffrey M. Solomon(8)	2012	866,667	500,000 (32.5% of annual bonus)	—	1,037,678 (67.5% of annual bonus) (415,071 shares)		54,928	2,459,272
	2011	750,000	—	165,000	176,084 (61,568 shares)		52,360	1,143,444
Thomas W. Strauss(9)	2012	600,000	150,000 (26.5% of annual bonus)	150,000 (26.5% of annual bonus)	265,395 (13.7% of annual bonus) (19,158 shares)		51,506	1,216,901
	2011	600,000	150,000	100,000	321,218 (112,314 shares)		72,884	1,244,102

- (1) The deferred cash awards will vest and settle with respect to 20% on April 15, 2013, 10% on April 15, 2014, 25% on May 15, 2015, 25% on May 15, 2016 and 20% on May 15, 2017.
- (2) The amounts shown in the "Restricted Stock Units" column reflect the aggregate grant date value of the awards computed in accordance with FASB ASC 718. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for 2012, as filed with the SEC.
- (3) The amounts shown in the "SARs Awards" column reflect the aggregate grant date value of the awards computed in accordance with FASB ASC 718. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for 2012, as filed with the SEC. The SARs granted to Messrs. Lasota and Littman have an exercise price of \$2.90 per share (the closing price of our Class A common stock on the Nasdaq Global Market on the grant date), will vest on March 15, 2018, the five-year anniversary of the grant date, and will be settled in Class A common stock.
- (4) The amounts shown in the "Other Compensation" column are attributable to perquisites and other personal benefits or compensation not reported elsewhere in the table. Perquisites for each of Messrs. Cohen and Strauss in 2012 include company-provided group term life and long-term disability insurance. Additionally, Mr. Cohen was reimbursed \$49,919 and Mr. Solomon was reimbursed \$47,428 for tax and financial planning expenses reimbursed by the Company. Mr. Cohen was

reimbursed \$63,590 representing 60% of the total cost of a car and driver provided to him for business use and Mr. Strauss was reimbursed \$44,006 representing 50% of the total cost of a car and driver provided to him for Company use. The cars and drivers used by Messrs. Cohen and Strauss for business use were available for use by Company personnel at other times for business purposes. "Other Compensation" reported for Mr. Cohen, Mr. Lasota, Mr. Littman, Mr. Solomon and Mr. Strauss also included a \$7,500 company match under the 401(k) plan.

- (5) Mr. Cohen received an award of 383,142 restricted stock units, which represents 52.6% of the aggregate cash value of his annual bonus compensation for fiscal 2012. Mr. Cohen's restricted stock units will vest with respect to 25% on June 1, 2014, 25% on June 1, 2015 and 50% on June 1, 2016.
- (6) Mr. Lasota received an award of 95,786 restricted stock units, which represents 30.3% of the aggregate cash value of his annual bonus compensation for fiscal 2012. Mr. Lasota also received an incentive award of 100,000 SARs in March 2013. Mr. Lasota's restricted stock units will vest with respect to 10% on May 15, 2014, 25% on May 15, 2015, 25% on May 15, 2016 and 40% on May 15, 2017, and his incentive award will vest on March 15, 2018, the fifth anniversary of the grant date.
- (7) Mr. Littman received an award of 95,786 restricted stock units, which represents 30.3% of the aggregate cash value of his annual bonus compensation for fiscal 2012. Mr. Littman also received an incentive award of 100,000 SARs in March 2013. Mr. Littman's restricted stock units will vest with respect to 10% on May 15, 2014, 25% on May 15, 2015, 25% on May 15, 2016 and 40% on May 15, 2017, and his incentive award will vest on March 15, 2018, the fifth anniversary of the grant date.
- (8) Mr. Solomon received an award of 415,061 restricted stock units, which represents 67.5% of the aggregate cash value of his annual bonus compensation for fiscal 2012. Mr. Solomon's restricted stock units will vest with respect to 10% on May 15, 2014, 25% on May 15, 2015, 25% on May 15, 2016 and 40% on May 15, 2017.
- (9) Mr. Strauss received an award of 19,158 restricted stock units, which represents 13.7% of the aggregate cash value of his annual bonus compensation for fiscal 2012. Mr. Strauss also received an incentive award of 75,000 restricted stock units in March 2013. Mr. Strauss's 19,158 restricted stock units will vest with respect to 10% on May 15, 2014, 25% on May 15, 2015, 25% on May 15, 2016 and 40% on May 15, 2017, and his incentive award will vest with respect to 25% on June 1, 2014, 25% on June 1, 2015 and 50% on June 1, 2016.

### ***Employment Agreements—Post-Employment and Change-in-Control Compensation***

Each of our named executive officers is party to an employment agreement with the Company. Messrs. Cohen and Strauss entered into their employment agreements with the Company on June 3, 2009 in connection with the business combination of Cowen Holdings and Ramius LLC (the "Transactions"), Mr. Solomon entered into a new employment agreement with the Company (which replaced his prior agreement) in May 2012, and Messrs. Lasota and Littman entered into their employment agreements with the Company in August 2012. The Compensation Committee views the employment agreements as an important tool in achieving our compensation objective of recruiting and retaining talented employees and a strong management team. The equity grants contemplated by the employment agreements were intended to align our executive's interests with the interests of our stockholders. The guaranteed minimum bonuses for Messrs. Lasota and Littman were intended to provide them with what was viewed as an appropriate level of cash compensation on an annual basis. The 2009 employment agreements were negotiated prior to the Transactions and the formation of the Compensation Committee and were ratified by our Board of Directors at a meeting held on November 5, 2009, while the 2012 employment agreements were approved by the Compensation Committee. In approving the 2012 employment agreements, the Compensation Committee recognized that Messrs. Lasota, Littman and Solomon are key members of the Company's senior management team and determined that it was necessary to enter into the agreements in order to retain them and to better align their compensation with industry practices. The agreements provide for base salary, annual bonus opportunities, and other benefits, contain customary restrictive covenants, and provide for benefits upon certain qualifying terminations of employment. The severance and change in control arrangements provided by these employment agreements are intended to retain our named executive officers and to provide consideration for certain restrictive covenants that apply following a termination of employment. As discussed in more detail in the section below titled "Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table—Employment Agreements," the 2012 employment agreements also require us to make certain grants of restricted stock units to Messrs. Solomon, Lasota and Littman, the first of which were made in 2012. The Compensation Committee views the equity grant component of the 2012 employment agreements as being consistent with our objective of aligning our named executive officers' interests with our stockholders' interests.

For more information, please see the section below titled "Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table—Employment Arrangements."

### **Relationship of Compensation Policies and Practices to Risk Management**

The Board has discussed whether our compensation policies are reasonably likely to have a material adverse effect on our results. The Board noted that, consistent with our performance-based model, many of our employees receive a significant portion of their compensation through discretionary compensation tied to their individual or business unit performance, or a combination thereof. The Board noted that a lower portion of the Company's revenues are derived from proprietary trading businesses and that a significant portion of many employees' compensation is provided in the form of deferred compensation that vests over time, which has the effect of tying the individual employee's long-term financial interest to the firm's overall success. The Board believes that this helps mitigate the risks inherent in our business.

The Board noted that our risk management team continuously monitors our various business groups, the level of risk they are taking and the efficacy of potential risk mitigation strategies. Senior management also monitors risk and the Board is provided with data relating to risk at each of its regularly scheduled meetings. The Chief Risk Officer meets with the Board at each of those meetings to present his views and to respond to questions. For these reasons, the Board believes that our overall compensation policies and practices are not likely to have a material adverse effect on us.

### **Tax and Accounting Impact and Policy**

The financial and income tax consequences to the Company of individual executive compensation elements are important considerations for the Compensation Committee when analyzing the overall design and mix of compensation. The Compensation Committee seeks to balance an effective compensation package for the executive officers with an appropriate impact on reported earnings and other financial measures.

The rules of section 162(m) of the Internal Revenue Code places a \$1 million limit on the amount of compensation we can deduct in any one year for compensation paid to our chief executive officer and our three most highly-compensated executive officers employed at the end of the year (other than our chief financial officer). However, the \$1 million deduction limit generally does not apply to compensation that is performance-based and provided under a shareholder-approved plan. While the Compensation Committee considers the deductibility of compensation as one factor in determining executive compensation, the Compensation Committee also considers other factors in making its decisions and retains the flexibility to grant awards that are not deductible for tax purposes. From time to time, in order to ensure competitive levels of compensation for our senior executives, the Compensation Committee approves compensation, including base salary and benefits that is not deductible under Section 162(m). Loss of the federal income tax deduction does not result in a current federal income tax liability, however, because we have substantial federal income tax net operating loss carryforwards. Our 2010 Equity and Incentive Plan is designed to qualify certain compensation that may be awarded under our annual incentive program as "performance based" to ensure that the tax deduction is available to the Company for amounts payable under the plan.

**COMPENSATION COMMITTEE REPORT**

The Compensation and Benefits Committee has reviewed and discussed the Compensation Discussion and Analysis with management and has recommended to the Board of Directors the inclusion of the Compensation Discussion and Analysis in this proxy statement.

**Compensation and Benefits Committee of the Board of Directors of Cowen Group, Inc.**Jerome S. Markowitz, *Chairperson*

Steven Kotler

John E. Toffolon, Jr.

**Summary Compensation Table**

The following table sets forth compensation information for our named executive officers for services performed for the Company and its subsidiaries during 2012.

<u>Name &amp; Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus \$(1)</u>	<u>Stock Awards \$(2)</u>	<u>Change in Pension Value</u>	<u>Other Compensation<sup>1</sup></u>	<u>Total (\$)</u>
Peter A. Cohen	2012	950,000	1,000,000	—	18,873	121,009(3)	2,089,882
<i>Chairman, Chief Executive Officer and President</i>	2011	950,000	—	863,042	22,466	146,638	1,982,146
	2010	500,000	—	297,747	23,345	137,608	958,700
Stephen A. Lasota	2012	450,000	450,000	418,157	2,553	21,962(4)	1,455,172
<i>Chief Financial Officer</i>	2011	400,000	350,000	407,157	3,039	7,350	1,167,546
	2010	300,000	389,000	258,525	3,158	7,350	958,033
Owen S. Littman	2012	450,000	450,000	418,157	1,662	21,962(4)	1,454,281
<i>General Counsel and Secretary</i>	2011	400,000	350,000	407,157	1,978	7,350	1,166,485
Jeffrey M. Solomon	2012	866,667	500,000	801,084	7,771	76,140(5)	2,416,662
<i>Chief Executive Officer of Cowen and Company</i>	2011	750,000	—	473,165	9,251	52,360	1,284,776
	2010	400,000	295,000	208,265	9,613	50,866	963,744
Thomas W. Strauss	2012	600,000	150,000	321,218	15,819	84,459(6)	1,271,496
<i>Vice Chairman of Cowen Group, Inc. and Chairman of Ramius LLC</i>	2011	600,000	150,000	250,369	25,109	72,884	1,098,632
	2010	450,000	233,000	177,928	26,091	77,177	964,196

- (1) The amounts in this column reflect cash bonuses paid to the named executive officers in 2013 in respect of performance during the 2012 year.
- (2) The entries in the stock awards column reflect the aggregate grant date value of the awards granted in 2012 in connection with 2011 performance in accordance with FASB ASC 718. Stock awards include 250,000 fully-vested RSUs awarded to Mr. Solomon in June 2012 and 50,000 fully-vested RSUs awarded to each of Mr. Lasota and Littman in August 2012 in connection with entering into new employment agreements with the Company. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for 2012, as filed with the SEC.
- (3) Other compensation for Mr. Cohen includes company-provided group term life and long-term disability insurance; \$49,919 company reimbursement for tax and financial planning in 2012, \$63,590 company reimbursement representing 60% of the total cost of a car and driver provided to him for Company use in 2012, and a \$7,500 match under the 401(k) plan.<sup>2</sup>
- (4) Other compensation for each of Mr. Lasota and Mr. Littman includes \$14,462 representing principal and interest relating to deferred cash awards and a \$7,500 match under the 401(k) plan.
- (5) Other compensation for Mr. Solomon includes \$47,428 company reimbursement for tax and financial planning in 2012; \$21,212 representing principal and interest relating to deferred cash awards and a \$7,500 match under the 401(k) plan.
- (6) Other compensation for Mr. Strauss include company-provided group term life and long-term disability insurance; \$44,006 company reimbursement representing 50% of the total cost of a car and driver provided to him for Company use in 2012; \$12,856 representing principal and interest relating to deferred cash awards and a \$7,500 company match under the 401(k) plan in 2012.

**2012 Grants of Plan-Based Awards**

The following table provides information regarding grants of plan-based awards made to the named executive officers during fiscal year 2012.

	<u>Grant Date</u>	<u>Corporate Action Date</u>	<u>All Other Stock Awards: Number of Shares of Stock or Units (#)</u>	<u>Grant Date Fair Value of Stock and Option Awards (\$)(4)</u>
Peter A. Cohen	—	—	—	—
Stephen A. Lasota	2/24/2012	1/30/2012	41,978(1)	120,057
	2/24/2012	1/20/2012	60,000(2)	171,600
	8/15/2012	8/1/2012	50,000(3)	126,500
Owen S. Littman	2/24/2012	1/30/2012	41,978(1)	120,057
	2/24/2012	1/30/2012	60,000(2)	171,600
	8/15/2012	8/1/2012	50,000(3)	126,500
Jeffrey M. Solomon	2/24/2012	1/30/2012	61,568(1)	176,084
	6/8/2012	5/31/2012	250,000(3)	625,000
Thomas W. Strauss	2/24/2012	1/30/2012	37,314(1)	106,718
	2/24/2012	1/30/2012	75,000	214,500

- (1) Restricted stock awards will vest with respect to 12.5% on August 15, 2012, 12.5% on March 10, 2013, 25% on March 10, 2014, 25% on March 10, 2015 and 25% on March 10, 2016, as long as the award recipient remains employed by the Company and otherwise complies with the terms and conditions of the applicable award agreements.
- (2) Restricted stock units will vest with respect to 25% on June 1, 2013, 25% on June 1, 2014 and 50% on June 1, 2015.
- (3) Mr. Solomon was awarded 250,000 fully-vested restricted stock units in June 2012, and Messrs. Lasota and Littman were each awarded 50,000 fully-vested restricted stock units in August 2012, in each case in connection with the named executive officer entering into a new employment agreement with the Company.
- (4) The entries in the stock awards column reflect the aggregate grant date value of the awards granted in 2012 computed in accordance with FASB ASC 718. For information on the valuation assumptions with respect to awards made, refer to the Company's Share-Based Compensation and Employee Ownership Plans Note in its financial statements included in its Form 10-K for 2012, as filed with the SEC.

**Narrative Disclosure Relating to Summary Compensation Table and Grants of Plan-Based Awards Table****Employment Agreements**

The Company is party to employment agreements with Messrs. Cohen and Strauss, which became effective on November 2, 2009, an employment agreement with Mr. Solomon, dated as of May 31, 2012, and employment agreements with Messrs. Lasota and Littman, dated as of August 2, 2012. The employment agreements provide for the following material terms:

- The agreements with Messrs. Lasota, Littman and Solomon contain an initial term that continues through April 30, 2015. Following the expiration of the initial term, the agreements

will automatically be extended for successive one-year terms, unless either party elects not to extend the term. The agreements with Messrs. Cohen and Strauss contain indefinite terms.

- The agreements provide for a minimum annual base salary of: \$500,000 for Mr. Cohen, \$450,000 for Mr. Strauss, \$950,000 for Mr. Solomon, \$450,000 for Mr. Lasota, and \$450,000 for Mr. Littman. Each named executive officer is also eligible to receive an annual performance-based bonus as determined by the Compensation Committee. The Company may pay all or a portion of any annual bonus in the form of restricted securities, other stock or security-based awards, deferred cash, or other deferred compensation. The agreements with Messrs. Cohen, Strauss, Lasota and Littman provide for minimum annual bonuses of: \$250,000 for Mr. Cohen, \$500,000 for Mr. Strauss, \$300,000 for Mr. Lasota (payable in cash in quarterly installments of \$75,000), and \$300,000 for Mr. Littman (payable in cash in quarterly installments of \$75,000). Mr. Solomon's agreement does not provide for a minimum annual bonus.
- The agreements with Messrs. Lasota, Littman and Solomon required the Company to make the following equity grants in 2012: fully vested restricted stock units covering 250,000 shares of Class A common stock for Mr. Solomon, and fully vested restricted stock units covering 50,000 shares of Class A common stock for each of Messrs. Lasota and Littman. Additionally, the Company is required to grant Mr. Solomon additional restricted stock units covering 250,000 shares of Class A common stock, which will vest in two equal installments on May 15, 2014 and April 29, 2015, subject, in each case, to Mr. Solomon's continued employment on the applicable vesting date, and each of Messrs. Lasota and Littman additional restricted stock units covering 150,000 shares of Class A common stock, which will vest in three equal installments on May 15, 2013, May 15, 2014 and April 29, 2015, subject, in each case, to the executive's continued employment on the applicable vesting date. We refer to the additional restricted stock units to be awarded to each of Messrs. Lasota, Littman and Solomon in 2013 as the "Equity Award."
- The agreements with Messrs. Cohen and Strauss provide that, upon a termination of the applicable executive's employment for any reason other than cause or by reason of death or disability, or upon the applicable executive's resignation for good reason (as such terms are defined in the agreements), which we refer to as an involuntary termination, the executive will be entitled to the following: (i) accrued obligations (earned but unpaid base salary and annual bonus), (ii) a lump sum cash payment equal to two times the sum of base salary plus the cash portion of annual bonus for the year prior to the year in which termination occurs, (iii) immediate vesting of outstanding equity awards, and (iv) all outstanding stock options will remain exercisable for the remainder of their respective terms (we refer to the benefits described in clauses (iii) and (iv) as the "Equity Benefits"). In the event that the employment of any of these executives is terminated due to his death or disability, he or his estate will be entitled to the accrued obligations and the Equity Benefits. The employment agreements with Messrs. Cohen and Strauss do not contain any provisions that provide for payments to be made upon a change in control.
- The agreement with Mr. Solomon provides that, if Mr. Solomon's employment is terminated by us without cause (including a decision by us not to renew the employment agreement upon the expiration of the then-current term), by Mr. Solomon for good reason, or as a result of Mr. Solomon's death or disability (as such terms are defined in the agreement), Mr. Solomon will, subject to his execution of a general release in our favor, be entitled to the following: (i) any unpaid annual bonus with respect to the previous completed fiscal year, (ii) a prorated annual bonus for the fiscal year of termination, calculated based on the average bonus paid for the two years immediately preceding the year of termination and the timing of such termination, (iii) in the case of a termination by us without cause or by Mr. Solomon for good reason only, a lump sum cash payment in an amount equal to two and one-half times the sum of his base salary and the average annual bonus paid for the two years immediately preceding his

termination, provided that the payment under clause (iii) will not be less than \$3,250,000 and not more than \$5,000,000, (iv) immediate vesting of all equity awards and unvested deferred compensation, (v) a cash payment equal to 24 months' COBRA premiums, and (vi) in the event that such termination occurs prior to the grant of the Equity Award, the grant of the Equity Award or its cash equivalent, which will be fully vested on the date of grant. In the event that Mr. Solomon breaches the restrictive covenants described below following a termination of his employment, he will be required to repay any payments or benefits received in connection with such termination.

- The agreements with Messrs. Lasota and Littman provide that, if the applicable executive's employment is terminated by us without cause (including a decision by us not to renew the employment agreement upon the expiration of the then-current term), by the executive for good reason, or as a result of the executive's death or "disability" (as such terms are defined in the agreements), each executive will, subject to his execution of a general release in our favor, be entitled to the following: (i) any unpaid annual bonus with respect to the previous completed fiscal year, (ii) a prorated annual bonus for the fiscal year of termination, calculated based on the average bonus paid for the two years immediately preceding the year of termination and the timing of such termination, (iii) in the case of a termination by us without cause or by the executive for good reason only, a lump sum cash payment in an amount equal to one and one-half times the average amount of compensation reflected on the executive's W-2 form from the Company for the two years immediately preceding his termination, provided that the payment under clause (iii) will not be more than \$1,500,000, and provided further, that if such termination occurs in connection with or following a change in control (as defined in the agreement), instead of the lump sum cash payment described above, the executive shall be entitled to a lump sum cash payment in an amount equal to two and one-half times the average amount of compensation reflected on the executive's W-2 Form from the Company for the two years immediately preceding such termination, provided that such lump sum cash payment will not be more than \$2,500,000, (iv) immediate vesting of all equity awards and unvested deferred compensation, (v) a cash payment equal to 24 months' COBRA premiums, and (vi) in the event that such termination occurs prior to the grant of the Equity Award, the grant of the Equity Award or its cash equivalent, which will be fully vested on the date of grant. In the event that the executive breaches the restrictive covenants described below following a termination of his employment, he will be required to repay any payments or benefits received in connection with such termination.
- The agreements with Messrs. Lasota, Littman and Solomon provide that, in the event that the executive retires after attaining age 57.5 (or age 55, in the case of Mr. Solomon) and provides the Company with at least 90 days advance notice, all outstanding equity awards and unvested deferred compensation then held by the executive will continue to vest in accordance with their terms as if the executive had continued to be an active employee of the Company provided he does not engage in competitive activity at any time prior to the applicable vesting date and refrains from interfering with the Company's employees and customers 12 months following his retirement.
- The agreements with Messrs. Lasota, Littman and Solomon contain customary confidentiality and invention assignment covenants, as well as an indefinite mutual non-disparagement covenant. In addition, these executives have agreed not to compete with, or solicit customers or employees of, the Company during the term of the employment agreement and for a period of 120 days (or 180 days, in the case of Mr. Solomon) thereafter. Messrs. Cohen and Strauss are subject to non-competition and non-solicitation obligations during employment, and non-solicitation obligations for one year following a termination of employment for any reason.

***2010 Equity and Incentive Plan***

Effective as of June 7, 2010, the Company adopted the 2010 Equity and Incentive Plan (the "2010 Plan").

The 2010 Plan initially reserved 7,500,000 shares of Class A common stock for delivery to participants and their beneficiaries under the 2010 Plan, subject to adjustment in the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off, or other similar change in capitalization or event. Additionally, commencing on January 1, 2011 and on the first day of each fiscal year of the Company thereafter during the term of the 2010 Plan, additional shares of common stock representing seven and one-half percent (7.5%) of our shares of common stock outstanding on such date, less shares then available for issuance under the 2010 Plan, will automatically become available for grant or settlement of awards. Shares delivered under the 2010 Plan may be either treasury shares or newly issued shares. For purposes of determining the remaining ordinary shares available for grant under the 2010 Plan, if any shares subject to an award are forfeited, cancelled, exchanged, or surrendered, or if an award terminates or expires without a distribution of shares, those shares will again be available for issuance under the 2010 Plan. However, shares of stock that are exchanged by a grantee or withheld by us as full or partial payment in connection with any award under the 2010 Plan, as well as any shares of stock exchanged by a grantee or withheld by us to satisfy the tax withholding obligations related to any award under the 2010 Plan, will not be available for subsequent awards under the 2010 Plan.

The 2010 Plan provides that generally, unless otherwise determined by the Compensation Committee or as set forth in an award or employment agreement, in the event of a change in control (as defined in the 2010 Plan), all outstanding awards shall become fully vested and exercisable and all restrictions, forfeiture conditions or deferral periods on any outstanding awards shall immediately lapse, and payment under any awards shall become due.

**Outstanding Equity Awards at 2012 Fiscal Year End**

The following table contains certain information regarding equity awards held by the named executive officers as of December 31, 2012.

	Stock Awards	
	Number of Shares that have Not Vested (#)	Market Value of Shares that have Not Vested (\$)(1)
<b>Peter A. Cohen</b>		
2009 Award(2)	15,225	37,301
2010 Award(3)	108,697	266,308
<b>Stephen A. Lasota</b>		
2009 Award(2)	10,979	26,899
2009 Incentive Award(4)	8,961	21,954
2010 Award(3)	31,115	76,232
2010 Incentive Award(5)	26,250	64,313
2011 Award(6)	36,731	89,991
2011 Incentive Award(7)	60,000	147,000
<b>Owen S. Littman</b>		
2009 Award(2)	10,475	25,664
2009 Incentive Award(4)	8,961	21,954
2010 Award(3)	31,115	76,232
2010 Incentive Award(5)	26,250	64,313
2011 Award(6)	36,731	89,991
2011 Incentive Award(7)	60,000	147,000
<b>Jeffrey M. Solomon</b>		
2009 Award(2)	10,649	26,090
2010 Award(3)	54,893	134,488
2011 Award(6)	53,872	131,986
<b>Thomas W. Strauss</b>		
2009 Award(2)	9,100	22,295
2010 Award(3)	29,077	71,239
2011 Award(6)	32,650	79,993
2011 Incentive Award(7)	75,000	183,750

- (1) The values in the column are based on the \$2.45 closing price of our Class A common stock on the Nasdaq Global Market on December 31, 2012.
- (2) Restricted stock units awarded on June 7, 2010 commenced vesting with respect to 10% on June 7, 2010, 15% on August 15, 2010, 10% on May 15, 2011, 15% on August 15, 2011, 25% on May 15, 2012 and 25% on May 15, 2013.
- (3) Restricted stock units awarded on February 25, 2011 (and to Mr. Cohen on March 15, 2011) commenced vesting with respect to 25% on September 1, 2011, 25% on June 1, 2012, 25% on June 1, 2013 and 25% on June 1, 2014.
- (4) Restricted stock units awarded on June 7, 2010 will vest on May 15, 2013.
- (5) Restricted stock units awarded on March 15, 2011 will vest with respect to 25% on June 1, 2012, 25% on June 1, 2013 and 50% on June 1, 2014.

- (6) Restricted stock units awarded on February 24, 2012 will vest with respect to 12.5% on August 15, 2012, 12.5% on March 10, 2013, 25% on March 10, 2014, 25% on March 10, 2015 and 25% on March 10, 2016.
- (7) Restricted stock units awarded on February 24, 2012 will vest with respect to 25% on June 1, 2013, 25% on June 1, 2014 and 50% on June 1, 2015.

### Option Exercises and Stock Vested

The following table sets forth certain information concerning stock vested during the year ended December 31, 2012. No stock options were exercised by any of the named executive officers in 2012.

<u>Name</u>	<u>Number of Shares Acquired on Vesting</u>	<u>Value Realized on Vesting \$(1)</u>
Peter A. Cohen	282,390	525,668
Stephen A. Lasota	107,786	269,484
Owen S. Littman	113,034	282,471
Jeffrey M. Solomon	405,075	1,008,514
Thomas W. Strauss	160,593	396,781

- (1) The value realized upon vesting of the stock awards is based on the \$2.42 closing sale price of our common stock on May 15, 2012, the \$2.49 closing sale price of our common stock on June 1, 2012, the \$2.50 closing sale price of our common stock on June 8, 2012, the \$2.53 closing sale price of our common stock on August 15, 2012, the \$2.47 closing sale price of our common stock on November 2, 2012, the vesting date of the awards.

### Pension Benefits

The following table sets forth information relating to the accumulated pension benefits for Messrs. Cohen, Lasota, Littman, Solomon and Strauss in the Ramius LLC Cash Balance Plan as of December 31, 2012.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years of Credited Service (#)</u>	<u>Present Value of Accumulated Benefit (\$)</u>	<u>Payments During Last Fiscal Year (\$)</u>
Peter A. Cohen	Ramius LLC Cash Balance Plan	7	\$ 621,842	—
Stephen A. Lasota	Ramius LLC Cash Balance Plan	7	\$ 84,132	—
Owen S. Littman	Ramius LLC Cash Balance Plan	6	\$ 54,757	—
Jeffrey M. Solomon	Ramius LLC Cash Balance Plan	7	\$ 256,054	—
Thomas W. Strauss	Ramius LLC Cash Balance Plan	7	—	\$ 689,727

Ramius maintains the Ramius LLC Cash Balance Plan, pursuant to which, prior to the Transactions, employees of Ramius contributed cash to fund the plan and participants received an annual contribution credit (based on age and "tier" of participation). Participants also receive an annual interest credit (based on 30-Year Treasury Bills) on the balances in their respective accounts. Participants were able to elect payments in the form of a lump sum distribution or among several annuity options. All participants were 100% vested in their account balances at all times. Each participant in the plan is entitled to receive his accumulated benefits upon any separation from service or upon reaching the age of 70. Mr. Strauss was paid his accumulated benefit in 2012 upon his attainment of age 70. The Trustees of the Cash Balance Plan decided to temporarily suspend plan contributions effective from January 1, 2009.

For information on the valuation method and material assumptions applied in quantifying the present value of the current accrued benefit, refer to the Company's Defined Benefit Plans Note in its financial statements included in its Form 10-K for 2012, as filed with the SEC.

## Potential Payments Upon Termination or Change in Control

Pursuant to the employment agreements with our named executive officers, upon certain terminations of employment or a change in control of the Company, our named executive officers are entitled to certain payments of compensation and benefits as described above under "Narrative Disclosure to Summary Compensation Table and Grant of Plan-Based Awards Table—Employment Arrangements." The table below reflects the amount of compensation and benefits that would have been payable to each named executive officer in the event that the named executive officer had experienced the following events as of December 31, 2012: (i) a termination for cause or resignation, or voluntary termination, (ii) involuntary termination, (iii) a change in control, (iv) termination by reason of an executive's death, or (v) termination by reason of an executive's disability.

Name	Type of Payment	Triggering Events				
		Voluntary Termination (\$)	Involuntary Termination (\$)	Change in Control (\$)	Death (\$)	Disability (\$)
Peter A. Cohen	Cash Severance	0	1,900,000(1)	0	0	0
	Equity Acceleration(2)	0	303,609	303,609	303,609	303,609
	Total	0	2,203,609	303,609	303,609	303,609
Stephen A. Lasota	Cash Severance	0	2,363,858(3)	3,183,381(4)	1,134,574(3)	1,134,574(3)
	Equity Acceleration(2)	0	426,389	426,389	426,389	426,389
	Total	0	2,790,247	3,609,770	1,560,963	1,560,963
Owen S. Littman	Cash Severance	0	2,383,439(3)	3,219,544(4)	1,129,281(3)	1,129,281(3)
	Equity Acceleration(2)	0	427,604	427,604	427,604	427,604
	Total	0	2,811,043	3,647,148	1,556,885	1,556,885
Jeffrey M. Solomon	Cash Severance	0	4,610,384(5)	144,785(6)	1,360,384(5)	1,360,384(5)
	Equity Acceleration(2)	0	292,564	292,564	292,564	292,564
	Total	0	4,902,948	437,349	1,652,948	1,652,948
Thomas W. Strauss	Cash Severance	0	1,350,000(1)	87,749(6)	0	0
	Equity Acceleration(2)	0	357,277	357,277	357,277	357,277
	Total	0	1,707,277	445,026	357,277	357,277

- (1) Includes the value of a cash payment equal to two times the sum of 2011 base salary (\$950,000 and \$600,000 for Messrs. Cohen and Strauss, respectively) plus the cash portion of 2011 annual bonus (\$0 and \$150,000 for Messrs. Cohen and Strauss, respectively) which is payable to Messrs. Cohen and Strauss pursuant to the terms of their employment agreements.
- (2) Includes the value of acceleration of all unvested shares of restricted stock, based on a per share price of \$2.45 per share, which was the closing price of our Class A common stock on the Nasdaq Global Market on December 31, 2012. Pursuant to their employment agreements, the executives are entitled to immediate vesting of outstanding equity awards upon an involuntary termination or a termination by reason of death or disability. In addition, pursuant to the terms of the applicable award agreements, unvested equity awards will vest in the event that a change in control occurs and, following such change in control, the executive's compensation or job responsibilities are reduced materially or the equity securities of the Company cease to trade on a national securities exchange.
- (3) Includes the value of a cash payment equal to the sum of (i) the average of the 2010 and 2011 annual bonus (\$619,882 and \$614,590 for Messrs. Lasota and Littman, respectively), (ii) one and one-half times the average of 2010 and 2011 compensation for each of Mr. Lasota and Littman as reported on Form W-2 (subject to a \$1.5 million limit), (iii) a cash payment equal to 24 months of

COBRA premiums, (iv) a cash payment of \$367,500, which is the cash value of the equity grants to be made to each of Mr. Lasota and Littman in 2013 (determined based on a per share price of \$2.45 per share, which was the closing price of our Class A common stock on the Nasdaq Global Market on December 31, 2012), and (v) the value of acceleration of unvested deferred cash compensation (\$98,718 for each of Mr. Lasota and Littman, including interest accrued through December 31, 2012), which is payable to Messrs. Lasota and Littman pursuant to the terms of their employment agreements. Had Mr. Lasota or Mr. Littman experienced a termination by reason of death or disability, each executive would have been entitled to a cash payment equal to the sum of the amounts described under clauses (i), (iii), (iv) and (v) above.

- (4) Includes the value of the same cash severance payments that would have been payable to Messrs. Lasota and Littman in connection with an involuntary termination of employment (as described above), except that the applicable multiplier for average W-2 compensation will be two and one-half times instead of one and one-half times, and the applicable limit will be \$2.5 million instead of \$1.5 million. Pursuant to their employment agreements, Messrs. Lasota and Littman will be entitled to receive this enhanced cash severance payment in the event of an involuntary termination of employment in connection with or following a change in control. In addition, pursuant to the terms of the applicable award agreements, each executive's unvested deferred cash compensation will vest in the event that a change in control occurs and, following such change in control, the executive's compensation or job responsibilities are reduced materially or the equity securities of the Company cease to trade on a national securities exchange.
- (5) Includes the value of a cash payment equal to the sum of (i) the average of Mr. Solomon's 2010 and 2011 annual bonus (\$554,625), (ii) two and one-half times the sum of Mr. Solomon's 2011 base salary (\$750,000) and the average of the cash portion of Mr. Solomon's 2010 and 2011 annual bonus (subject to a \$3.25 million minimum and a \$5 million limit), (iii) a cash payment equal to 24 months of COBRA premiums, (iv) a cash payment of \$612,500, which is the cash value of the equity grants to be made to Mr. Solomon in 2013 (determined based on a per share price of \$2.45 per share, which was the closing price of our Class A common stock on the Nasdaq Global Market on December 31, 2012), and (v) the value of acceleration of unvested deferred cash compensation (\$144,785, including interest accrued through December 31, 2012), which is payable to Mr. Solomon pursuant to the terms of his employment agreement. Had Mr. Solomon experienced a termination by reason of death or disability, he would have been entitled to a cash payment equal to the sum of the amounts described under clauses (i), (iii), (iv) and (v) above.
- (6) Includes the value of acceleration of unvested deferred cash compensation, including interest accrued through December 31, 2012. Pursuant to the terms of the applicable award agreements, unvested deferred cash compensation will vest in the event that a change in control occurs and, following such change in control, the executive's compensation or job responsibilities are reduced materially or the equity securities of the Company cease to trade on a national securities exchange.

**SECURITY OWNERSHIP****Beneficial Ownership of Directors, Nominees and Executive Officers**

The following table shows how many shares of our Class A common stock were beneficially owned as of April 22, 2013, by each of our directors and named executive officers, and by all of our directors and named executive officers as a group. Unless otherwise noted, the stockholders listed in the table have sole voting and investment power with respect to the shares owned by them.

	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<b>Executive Officers and Directors:</b>		
Peter A. Cohen(1)(2)	16,662,745	14.3%
Katherine Elizabeth Dietze	48,030	*
Stephen Kotler	10,000	*
Jerome S. Markowitz	250,020	*
Jack H. Nusbaum	85,289	*
John E. Toffolon, Jr.(3)	50,000	*
Joseph R. Wright	103,217	*
Jeffrey M. Solomon(1)	16,612,906	14.3%
Thomas W. Strauss(1)(4)	16,371,407	14.1%
Stephen A. Lasota	162,535	*
Owen S. Littman	172,529	*
All directors and named executive officers as a group (11 persons)	18,399,938	15.9%

\* corresponds to less than 1% of Cowen Group Class A common stock.

- (1) The number of shares of Class A common stock beneficially owned by Mr. Cohen, Mr. Solomon and Mr. Strauss consists of the 16,045,870 shares of Class A common stock held by RCG Holdings LLC. C4S & Co., L.L.C. ("C4S") is the managing member of RCG and may be considered to be the beneficial owner of any securities deemed to be beneficially owned by RCG. C4S disclaims beneficial ownership of these securities. Mr. Cohen, Mr. Solomon, Mr. Strauss and Morgan Stark are the sole managing members of C4S and may be considered beneficial owners of any securities deemed to be beneficially owned by C4S. Messrs. Cohen, Solomon and Strauss disclaim beneficial ownership of these securities, except as otherwise expressly described below.
- (2) Mr. Cohen does not disclaim beneficial ownership with respect to the 2,589,713 shares of Class A common stock that are held by RCG and allocated to Mr. Cohen in connection with his ownership interest in RCG. However, the distribution by RCG of those shares to Mr. Cohen is subject to certain restrictions.
- (3) Includes 10,000 shares of Class A common stock held by family trusts.
- (4) Mr. Strauss does not disclaim beneficial ownership with respect to the 1,563,848 shares of Class A common stock that are held by RCG and allocated to Mr. Strauss in connection with his ownership interest in RCG and the 1,062,395 shares of our Class A common stock that are held by RCG and allocated to an entity controlled by Mr. Strauss, in connection with its ownership interest in RCG. However, the distribution by RCG of those shares to Mr. Strauss and the entity is subject to certain restrictions.

**Beneficial Owners of More than Five Percent of Our Class A common stock**

Based on filings made under Section 13(d) and Section 13(g) of the Securities Exchange Act of 1934, as of April 22, 2013, the persons known by us to be beneficial owners of more than 5% of our Class A common stock were as follows:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
RCG Holdings LLC(1) 599 Lexington Avenue New York, NY 10022	16,045,870	13.83%
UniCredit S.p.A.(2) c/o Bayerische Hypo- und Vereinsbank AG 150 East 42nd Street New York, New York 10017	8,518,685	7.34%

- (1) This information is based on a Schedule 13D filed with SEC on March 16, 2011 by RCG Holdings LLC and certain additional information provided to the Company by the managing member of RCG Holdings LLC.
- (2) This information is based on a Schedule 13D filed with the SEC on February 20, 2013 by UniCredit S.p.A. The beneficial ownership indicated above represents the aggregate beneficial ownership of UniCredit S.p.A., and its subsidiaries, BA Alpine Holdings, Inc. and UniCredit Bank Austria AG.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons holding 10% or more of our Class A common stock to file initial reports of ownership of our securities and reports of changes in ownership of our securities with the SEC. Based on a review of copies of such reports provided to us and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2012 have been satisfied.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS****Compensation Committee Interlocks and Insider Participation**

The Compensation Committee is comprised entirely of non-employee directors, none of whom has ever been an officer or employee of the Company and none of whom had any related person transaction involving the Company. None of our executive officers (1) served as a member of the board of directors or compensation committee of any other entity that had one or more of its executive officers serving as a member of our Compensation Committee or (2) served as a member of the compensation committee of any other entity that had one or more of its executive officers serving as a member of our Board during 2012.

**Transactions in which Related Persons have a Material Interest*****Side-by-Side Investments***

To the extent permissible by applicable law, our executive officers, directors and certain eligible employees, as well as such individuals' immediate family members and other investors they refer to us, have historically been permitted to invest their own capital either directly in, or in side-by-side

investments or managed accounts with, our alternative investment management funds. Side-by-side investments are investments in assets substantially similar to the investments of the applicable fund and the managed accounts are accounts that invest in the asset classes covered by our alternative investment business. Direct investment in managed accounts or side-by-side investments with, our funds by such individuals are generally made on the same terms and conditions as the investments made by other third party investors in the funds, except that such investments are subject to discounted management and performance fees.

### ***Employment Arrangements***

Andrew Cohen, the son of Peter A. Cohen, is a Managing Director of Ramius, and earned approximately \$653,944 in 2012. Kyle Solomon, the brother of Jeffrey M. Solomon, is a Managing Director of Cowen and Company and earned approximately \$432,421 in 2012.

### ***Services Agreement with RCG***

The Company and RCG are parties to a services agreement, under which the Company provides certain services (including accounting services, distribution of annual statements to members of RCG, maintenance and storage of RCG books and records, and coordination services relating to the sale and distribution of restricted shares of our Class A common stock held by RCG), to RCG for a total annual cost to RCG not to exceed \$12,000, for a term not to exceed four years from the closing of the Transactions and terminable upon the mutual agreement of both parties.

### **Review and Approval of Transactions with Related Persons**

To minimize actual and perceived conflicts of interests, our board of directors has adopted a written policy governing transactions in which the Company is a participant, the aggregate amount involved is reasonably expected to exceed \$120,000, and any of the following persons has or may have a direct or indirect material interest in the transaction: (a) our executive officers, directors (including nominees) and certain other highly compensated employees, (b) stockholders who own more than 5% of our common stock, and (c) any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law or person (other than a tenant or employee) sharing the same household of any person described in (a) or (b) above. These transactions will be considered "related person transactions."

Unless exempted from such policy as described below, the policy requires that related person transactions must be reported to our General Counsel or Chief Compliance Officer who will then submit the related person transaction for review by our Audit Committee. The Audit Committee will review all relevant information available to it and will approve or ratify only those related person transactions that it determines are not inconsistent with the best interests of the Company. If our General Counsel or Chief Compliance Officer determines that advance approval of a related person transaction is not practicable under the circumstances, the Audit Committee will review, and, in its discretion, may ratify the related person transaction at its next meeting, or at the next meeting following the date that the related person transaction comes to the attention of our General Counsel or Chief Compliance Officer. However, the General Counsel or Chief Compliance Officer may present a related person transaction that arises between Audit Committee meetings to the Chair of the Audit Committee, who will review and may approve the related person transaction, subject to the Audit Committee's ratification at its next meeting.

It is anticipated that any related person transaction previously approved by the Audit Committee or otherwise already existing that is ongoing will be reviewed annually by the Audit Committee to ensure that such transaction has been conducted in accordance with the previous approval granted by

the Audit Committee, if any, and that all required disclosures regarding the related person transaction are made.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the board anticipates it will determine that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of the policy:

- interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity), that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of \$200,000 or 5% of the annual gross revenues of the company receiving payment under the transaction;
- a transaction with a significant stockholder, or such stockholder's immediate family members, who has a current Schedule 13G filed with the SEC with respect to such stockholder's ownership of our securities; and
- a transaction that is specifically contemplated by provisions of our charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

**AUDIT COMMITTEE REPORT AND PAYMENT OF FEES TO OUR INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

**Audit Committee Report**

The primary function of our Audit Committee is oversight of our financial reporting process, publicly filed financial reports, internal accounting and financial and operational controls, and the independent audit of the consolidated financial statements. The consolidated financial statements of Cowen Group, Inc. for the year ended December 31, 2012, were audited by PricewaterhouseCoopers LLP, independent registered public accounting firm for the Company.

As part of its activities, the Committee has:

1. Reviewed and discussed with management and the independent registered public accounting firm the company's audited financial statements;
2. Discussed with the independent registered public accounting firm the matters required to be communicated under *Statement on Auditing Standards No. 61 (Communications with Audit Committees)*, as amended;
3. Received the written disclosures and letter from the independent registered public accounting firm required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*; and
4. Discussed with PricewaterhouseCoopers LLP their independence.

Management is responsible for the Company's system of internal controls and the financial reporting process. PricewaterhouseCoopers LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and issuing a report thereon. Our Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing review and discussions and a review of the report of PricewaterhouseCoopers LLP with respect to the consolidated financial statements, we have recommended to the Board of Directors of Cowen Group, Inc. the inclusion of the audited consolidated financial statements in Cowen Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the SEC.

**Audit Committee of the Board of Directors of Cowen Group, Inc.**

John E. Toffolon, Jr., *Chairperson*  
Katherine Elizabeth Dietze  
Joseph R. Wright

**Independent Registered Public Accounting Firm Fees and Other Matters**

The following table presents the aggregate fees billed for services rendered by PricewaterhouseCoopers LLP, our independent registered public accounting firm, for the fiscal years ended December 31, 2012 and December 31, 2011.

	2012	2011
Audit Fees(1)	\$ 4,775,682	\$ 5,076,142
Audit-Related Fees(2)	132,537	537,012
Tax Fees(3)	513,765	715,477
All Other Fees(4)	—	25,000
Total	\$ 5,421,984	\$ 6,353,631

- (1) Audit fees for the year ended December 31, 2012, consisted of fees billed for the integrated audit of our financial statements, statutory audits of certain consolidating entities and subsidiaries, including audits of acquisitions by the Company during the year, and quarterly reviews of our financial statements.
- (2) Audit-Related Fees consisted of fees for services that are reasonably related to the performance of the audit and the review of our financial statements and that are not reported under "Audit Fees." Audit related fees consisted primarily of fees billed for accounting advisory, due diligence services and control attestations.
- (3) Tax fees consisted of fees for tax compliance and tax advisory services related to the Company and certain consolidating entities and subsidiaries.
- (4) All other fees include certain other advisory services.

**Auditor Services Pre-Approval Policy**

The Audit Committee has adopted an Audit Committee Policy Regarding Outside Auditor Services which includes a pre-approval policy that applies to services performed for the Company by our independent registered public accounting firm. In accordance with this policy, we may not engage our independent registered public accounting firm to render any audit or non-audit service unless the service was approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval policies and procedures described below. However, no pre-approval is required with respect to services (other than audit, review or attest services) if (i) the aggregate amount of all such services is no more than 5% of the total amount paid by us to the independent registered public accounting firm during the fiscal year in which the services are provided, (ii) such services were not recognized at the time of engagement to be non-audit services and (iii) such services are promptly brought to the attention of the Audit Committee and approved by either the Audit Committee or the Chairperson of the Audit Committee prior to completion of the audit. During fiscal 2012, no fees were approved by the Audit Committee pursuant to this exemption.

The pre-approval policy delegates to the Chairperson of the Audit Committee the authority to pre-approve any audit or non-audit services, provided that any approval by the Chairperson is reported to the Audit Committee at the Audit Committee's next regularly scheduled meeting. The Audit Committee may also pre-approve services that are expected to be provided to the Company by the independent registered public accounting firm during the next 12 months and at each regularly scheduled meeting of the Audit Committee, management or the independent registered public accounting firm must report to the Audit Committee each service actually provided to the Company pursuant to the pre-approval.

Our Audit Committee has determined that the provision of the non-audit services described in the table above was compatible with maintaining the independence of our independent registered public accounting firm. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the registered public accounting firm's independence.

## ITEM 2—RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the year ending December 31, 2013. While it is not required to do so, our Board of Directors is submitting the selection of PricewaterhouseCoopers LLP for ratification in order to ascertain the views of our stockholders with respect to the choice of audit firm. If the selection is not ratified, the Audit Committee will reconsider its selection. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will be available to answer stockholder questions and will have the opportunity to make a statement if they desire to do so. PricewaterhouseCoopers LLP served as our independent registered public accounting firm for the year ended December 31, 2012.

The Board of Directors recommends that you vote FOR ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Cowen Group, Inc. and our subsidiaries for the year ending December 31, 2013. The affirmative vote of the holders of a majority of our outstanding shares of Class A common stock voting on the proposal is required to ratify this selection. Proxies will be voted FOR ratification of this selection unless otherwise specified.

### Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes, as of December 31, 2012, the number of shares of our common stock to be issued upon exercise of outstanding options granted under our 2010, 2007 and 2006 Equity and Incentive Plans, the weighted-average exercise price of such options, and the number of shares remaining available for future issuance under the plans for all awards as of December 31, 2012.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under the Equity Compensation Plans (Excluding Shares in First Column)</u>
Equity compensation plans approved by security holders	623,760	\$ 14.66	1.1 million
Equity compensation plans not approved by security holders	None	N/A	None

- (1) This number is based on the 23,654,069 shares authorized for issuance under the Company's Equity and Incentive Plans as of December 31, 2012. In addition to the 623,760 shares to be issued upon the exercise of outstanding options to purchase our common stock, 10,252,023 shares of restricted stock, common stock and restricted stock units were issued under the plans and were outstanding as of December 31, 2012. All of the 1.1 million shares available for future issuance under the plan as of December 31, 2012, may be granted in the form of restricted stock, restricted stock units, options or another equity-based award authorized under the plans. On January 1, 2013, \$7.506 million were added to the shares available under the 2010 Equity and Incentive Plan to bring the total equal to 7.5% of the Company's outstanding shares of stock. As of April 22, 2013, we had 1,460,934 shares remaining under the equity plans, which exclude shares reserved for issuance based on certain performance criteria in existing agreements.

## STOCKHOLDER PROPOSALS FOR THE 2014 ANNUAL MEETING

In order for a stockholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2014 annual meeting of stockholders, the written proposal must be received at our principal executive offices on or before January 6, 2014. However, in the event that the next annual meeting of stockholders is called for a date that is not within 30 days before or after the first anniversary of the date of this year's annual meeting, the proposal must be received no later than a reasonable time before the Company begins to print and mail its proxy materials.

The proposal should be addressed to Cowen Group, Inc., Attention: Corporate Secretary, 599 Lexington Avenue, New York, New York, 10022. The proposal must comply with SEC regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

In accordance with our bylaws, a stockholder who wishes to present a proposal for consideration at the 2014 annual meeting must deliver a notice of the matter the stockholder wishes to present to our principal executive offices in New York, New York, at the address identified in the preceding paragraph, not less than 90 nor more than 120 days prior to the first anniversary of the date of this year's annual meeting. Accordingly, any notice given by or on behalf of a stockholder pursuant to these provisions of our bylaws (and not pursuant to Rule 14a-8 of the SEC) must be received no earlier than February 12, 2014, and no later than March 14, 2014. However, in the event that the next annual meeting of stockholders is called for a date that is not within 30 days before or after the first anniversary of the date of this year's annual meeting, the notice must be received no later than the close of business on the tenth day following the day on which notice of the 2014 annual meeting was mailed or public disclosure of the date of the 2014 annual meeting was made, whichever occurs first. The notice should include (i) a brief description of the business desired to be brought before the 2014 annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder, (iii) the class or series and number of shares of capital stock of the Company beneficially owned or owned of record by the stockholder, (iv) a description of all arrangements or understandings between the stockholder and any other person or persons (including their names) in connection with the proposal and any material interest of the stockholder in such business and (v) a representation that the stockholder intends to appear in person or by proxy at the 2014 annual meeting to bring such business before the meeting.

## ANNUAL REPORT TO STOCKHOLDERS AND FORM 10-K

Our 2012 Annual Report to Stockholders, including financial statements for the year ended December 31, 2012, accompanies this proxy statement. **Stockholders may obtain an additional copy of our Annual Report and/or a copy of our Form 10-K filed with the SEC for the year ended December 31, 2012, without charge by viewing these documents on our Web site at [www.cowen.com](http://www.cowen.com) or by writing to Cowen Group, Inc., Attention: Investor Relations, 599 Lexington Avenue, New York, New York, 10022.**

## HOUSEHOLDING

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. Currently, only brokers household our proxy materials and annual reports, delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or annual report, or if you are receiving multiple copies of either document and wish to receive only one, please contact your broker. Any householded stockholder may request a copy of the proxy statement and/or annual report by contacting us in writing or by telephone at Cowen Group, Inc., Attention: General Counsel, 599 Lexington Avenue, New York, New York, 10022, (212) 201-4841. We will deliver promptly upon written or oral request a separate copy of our annual report and/or proxy statement to a stockholder at a shared address to which a single copy of either document was delivered.

#### **OTHER MATTERS**

We do not know of any other matters that may be presented for consideration at the annual meeting. If any other business does properly come before the meeting, the persons named as proxies on the enclosed proxy card will vote as they deem in the best interests of Cowen Group, Inc.



▼ IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

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**Proxy — Cowen Group, Inc.**

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**Notice of Annual Meeting of Stockholders**

**Proxy Solicited by Board of Directors for Annual Meeting — June 12, 2013**

Peter A. Cohen and Owen S. Littman, or each of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders of Cowen Group, Inc. to be held on June 12, 2013 or at any postponement or adjournment thereof.

(Items to be voted appear on reverse side.)