Cowen Group, Inc.
Form 10-K/A
April 28, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

Amendment No. 1
Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended: **December 31, 2008** Commission file number: **000-52048**

Cowen Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-1702964**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1221 Avenue of the Americas
New York, New York 10020
(646) 562-1000

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

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

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

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o	Smaller reporting company o

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant on June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter was: $110,914,637.

As of March 4, 2009 there were 15,171,432 shares of the registrant's common stock outstanding.

Explanatory Note

Cowen Group, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the "Form 10-K") to provide additional information required by Part III, because the definitive Proxy Statement for our 2009 Annual Meeting of Stockholders will not be filed within 120 days after the end of our 2008 fiscal year. This Amendment No. 1 on Form 10-K/A does not change the previously reported financial statements or any of the other disclosure contained in Part I or Part II. Part IV is being amended solely to add new certifications in accordance with Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

PART III

Item 10. Directors, Executive Officers and Corporate Governance

DIRECTORS OF THE COMPANY

The number of directors currently serving on our Board of Directors is six. Our Board of Directors is divided into three classes. Except for the initial appointment of directors in connection with our initial public offering and the appointment of David M. Malcolm on March 4, 2008, the members of each class have been elected by our stockholders to serve a three-year term with the term of office for each class ending in consecutive years.

Set forth below is biographical information for each of our directors. All ages are as of April 15, 2009.

Name	Age	Class	Term Expiring	Director Since
John E. Toffolon, Jr.(1)(2)	58	II	2011 Annual Meeting	2006
David M. Malcolm	61	I	2009 Annual Meeting	2008
Jeffrey Kurzweil(3)	59	II	2011 Annual Meeting	2006
Philip B. Pool, Jr.(1)(2)	55	III	2010 Annual Meeting	2006
L. Thomas Richards, M.D.(1)(3)	39	I	2009 Annual Meeting	2006
Charles W.B. Wardell, III(2)(3)	63	III	2010 Annual Meeting	2006

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

John E. Toffolon, Jr.: Mr. Toffolon has served as our non-Executive Chairman since July 2008. Mr. Toffolon previously served as our Lead Director from June 2007 until his appointment as Chairman. Mr. Toffolon is a partner of The Shermen Group and is the Chief Financial Officer and a member of the Board of Directors of Shermen WSC Acquisition Corp., a blank check public company formed for the purpose of acquiring an operating business in the alternative energy and/or agricultural field. 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.

David M. Malcolm: Mr. Malcolm currently serves as our Chief Executive Officer and President, a position he has held since March 4, 2008. Mr. Malcolm has also served as Chairman, Chief Executive Officer and President of Cowen and Company, LLC since March 4, 2008. Mr. Malcolm previously served as our Executive Vice Chairman from October 2006. From 2001 through 2006, Mr. Malcolm served as Head of Investment Banking. He joined the Company in 2000 as Chairman of the Executive Committee from Société Générale where he served as Head of Leveraged Finance. Prior to joining Société Générale in 1996, Mr. Malcolm was a Senior Managing Director at Bear Stearns. Mr. Malcolm also served as a Managing Partner of Anthem Partners, L.P., an advisory investment banking boutique.

Prior to that, Mr. Malcolm was a Managing Director of The First Boston Corporation, where he founded and ran the High Yield Finance Group.

Jeffrey Kurzweil: Mr. Kurzweil has been a partner with the law firm Venable LLP since 2002. Mr. Kurzweil focuses his practice on public policy and government relations at the federal, state, and local levels. Prior to joining Venable, Mr. Kurzweil was a sole practitioner for six years from 1998 to 2002 during which time he also focused on public policy and government relations. Prior to that, Mr. Kurzweil was a partner at several Washington, D.C. firms. In government service from 1978 to 1979, Mr. Kurzweil served as Special Assistant to the General Counsel of the U.S. Department of Commerce. Mr. Kurzweil is a cum laude graduate of Duke University and received his law degree from Vanderbilt Law School. Mr. Kurzweil has served on the Board of Trustees of Duke University, the Board of Visitors of Johnson C. Smith University, the Alumni Board of Vanderbilt Law School, and the Board of Directors of The American Schools of Oriental Research. In addition to serving as a director of Cowen Group, Inc., Mr. Kurzweil also currently serves as one of two non-family members of the Board of Directors of JWM Family Enterprises, a Marriott Family private enterprise.

Philip B. Pool, Jr.: Mr. Pool currently serves as a Managing Director of Navidar Group, LLC, a private placement firm specializing in capital raising and advisory services for private equity firms. From 2001 to March 2009, Mr. Pool was a Managing Director of Willis Stein & Partners, a middle market leveraged buyout firm. Prior to joining Willis Stein in July 2001, Mr. Pool was a Managing Director in the Investment Banking Group of Credit Suisse First Boston Corporation, or CSFB, where he worked from November 2000 to May 2001 following CSFB's acquisition of Donaldson, Lufkin & Jenrette Securities Corporation, or DLJ. Mr. Pool joined DLJ in 1994, where he co-headed the Private Fund Group. From 1985 to 1994, Mr. Pool was an investment banker with Merrill Lynch & Co., and from 1980 to 1985, he was an investment banker with Kidder, Peabody & Co. Incorporated.

L. Thomas Richards, M.D.: Dr. Richards is an Emergency Medicine physician who serves on the Clinical Faculty of UCSF Medical Center. Dr. Richards is a 2003 graduate of Harvard Medical School and a graduate of Yale College. Prior to attending medical school in 1999, Dr. Richards was an investment banker in the Mergers & Acquisitions departments of several firms, including Lazard Frères & Co, UBS Securities LLC and Cowen and Company, LLC.

Charles W.B. Wardell, III: Mr. Wardell is the Senior Advisor to the Chief Executive Officer at Korn/Ferry. Korn/Ferry International is an executive search firm with more than 70 offices throughout the world. Mr. Wardell has eight years of service with Korn/Ferry. Prior to joining Korn/Ferry, Mr. Wardell held senior positions at a number of firms, including Nordeman Grimm, American Express, Travelers, Mastercard International and Citicorp. Mr. Wardell also served as Deputy Special Assistant and Staff Assistant to Presidents Nixon and Ford, Administrative Aide to General Alexander Haig and Richard Cheney when they served as President Nixon's and Ford's Chief of Staff, respectively, and was appointed by President Ford as a Deputy Assistant Secretary of State. Mr. Wardell graduated from Harvard College and was honorably discharged as an officer in the Army after distinguished service in Vietnam.

EXECUTIVE OFFICERS OF THE COMPANY

Biographies of the current executive officers of the Company are set forth below, excluding Mr. Malcolm's biography, which is included under "Directors of the Company" above. Each executive officer serves at the discretion of the Board of Directors.

Thomas K. Conner	**Age: 48**

Mr. Conner has been Chief Financial Officer of Cowen Group, Inc. since June 2006 and is a member of the Office of the Chief Executive, or the OCE. Mr. Conner has served as Chief Financial Officer of Cowen and Company, LLC and its predecessor entities since July 2003. He joined the Company in 1992 as Division Financial Officer for the firm's investment banking activities. Prior to joining Cowen and Company, LLC, Mr. Conner worked for TLP Leasing Programs in Boston, where he managed the accounting operations of 15 public and 15 private limited partnerships. From 1987 to 1989, Mr. Conner worked for Atlantic Capital Corporation. He began his career at Deloitte Haskins & Sells in 1983.

William H. Dibble	**Age: 55**

Mr. Dibble has served as Head of Human Resources of Cowen Group, Inc. since its formation in February 2006 and is a member of the OCE. Mr. Dibble joined the Company as Head of Human Resources in August 2004. Prior to joining the Company, Mr. Dibble had more than 20 years of human resources experience within the financial services industry. Most recently, Mr. Dibble was Head of Human Resources for Nomura Securities from 2002 to 2004. Prior to Nomura, Mr. Dibble held a variety of human resources roles at The First Boston Corporation, Marsh & McLennan and Merrill Lynch focusing on benefits, compensation, performance management, employee relations, training and development, succession planning and recruiting.

Mark A. Egert	**Age: 46**

Mr. Egert has served as Chief Compliance Officer of Cowen Group, Inc. since its formation in February 2006 and is a member of the OCE. Mr. Egert joined the Company as Chief Compliance Officer in January 2005. Prior to joining the Company, Mr. Egert was Legal & Compliance Director for RBC Capital Markets Corporation, a subsidiary of the Royal Bank of Canada, from 2003 to January 2005. From 2001 to 2003, he was Chief Legal Officer of ABN AMRO Inc., the U.S. broker-dealer affiliate of Dutch bank, ABN AMRO, and served in other positions at that firm from 1997 to 2001. Mr. Egert also was associated with the law firms of Shearman & Sterling from 1987 to 1992 and Kavanagh Peters Powell & Osnato from 1992 to 1994, and was Vice President and Associate General Counsel at the Securities Industry Association from 1994 to 1997.

J. Kevin McCarthy	**Age: 44**

Mr. McCarthy has served as General Counsel of Cowen Group, Inc. since December 2006 and is a member of the OCE. Mr. McCarthy is also the General Counsel of Cowen and Company, LLC. From 2004 until he joined the Company in December 2006, Mr. McCarthy was a partner at Wilmer Cutler Pickering Hale and Dorr LLP in New York. From 1996 to 2004, Mr. McCarthy was with Credit Suisse First Boston, where he served in a variety of capacities, most recently as Managing Director and Global Head of Litigation. He began his legal career at Willkie Farr & Gallagher in 1990.

Christopher A. White	**Age: 44**

Mr. White has been the Vice President of Cowen Group, Inc. since its formation in February 2006 and is a member of the OCE. Mr. White has served as Chief of Staff of Cowen and Company, LLC and its predecessor entities since December 2005 and as Chief Administrative Officer of Cowen and Company, LLC and its predecessor entities since June 2006. Mr. White served as a member of SG Capital Partners, the Merchant Banking Division of Cowen and Company, LLC, from 2003 to December 2005. Prior to joining the Merchant Banking Division, Mr. White was in the Equity Capital Markets Group of Cowen and Company, LLC. Prior to joining Cowen in 1999, Mr. White worked at Salomon Smith Barney in the Equity Capital Markets Group. In addition, Mr. White has seven years experience as a practicing securities and mergers and acquisitions lawyer.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors to file initial reports of ownership of our securities and reports of changes in ownership of our securities with the Securities and Exchange Commission.

Based on a review of copies of such reports and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2008 have been satisfied.

CODE OF BUSINESS CONDUCT AND ETHICS

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code on our website, www.cowen.com. In addition, we intend to post on our website all disclosures that are required by law or Nasdaq Stock Market listing standards concerning any amendments to, or waivers from, any provision of the code. You may also request a copy of the code by writing to Cowen Group, Inc., Attn: Corporate Secretary, 1221 Avenue of the Americas, New York, NY 10020.

AUDIT COMMITTEE

Our Board has established a separately-designated standing Audit Committee which operates under a charter that has been approved by our Board.

Our Board has determined that all of the members of the Audit Committee are independent as defined under the rules of the Nasdaq Stock Market, and the independence requirements contemplated by Rule 10A-3 under the Exchange Act.

The current members of our Audit Committee are Messrs. Toffolon (Chairperson) and Pool and Dr. Richards. The Board has determined that each of Messrs. Toffolon and Pool, who are independent directors, is an "audit committee financial expert" as defined by applicable SEC rules.

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

Each of our "named executive officers" listed in the Summary Compensation Table served as an executive officer for the full year period ending on December 31, 2008, with the exception of Mr. Malcolm, who was appointed Chief Executive Officer, President and a director of the Company by our Board of Directors on March 4, 2008, and Kim S. Fennebresque, who served as our Chief Executive Officer and President until his resignation on March 4, 2008. Our "named executive officers" for 2008 consisted of the following individuals:

David M. Malcolm, who serves as our Chief Executive Officer and President;

Thomas K. Conner, who serves as our Chief Financial Officer and Treasurer;

Christopher A. White, who serves as our Vice President, Chief of Staff and Chief Administrative Officer;

- J. Kevin McCarthy, who serves as our General Counsel;
- Mark A. Egert, who serves as our Chief Compliance Officer; and
- Kim S. Fennebresque, our former Chief Executive Officer and President.

Other than Mr. Fennebresque, each of the named executive officers was a member of our Office of the Chief Executive, or the OCE, as of December 31, 2008. Subject to the oversight of our Board of Directors, the OCE is responsible for establishing policies and procedures regarding overall corporate decisions, including investment decisions, legal, regulatory and compliance matters, insurance coverage, human resources and administration and tax matters. In addition, the OCE sets general compensation policies, determines our financing requirements, objectives and principles, and considers, where appropriate, acquisitions, dispositions and other significant transactions. In addition to the named executive officers listed above, our other executive officer is the Head of Human Resources, who is a member of the OCE. The members of the OCE are appointed annually by our Chief Executive Officer.

On March 4, 2008, Kim S. Fennebresque resigned as Chief Executive Officer and President of the Company. Mr. Fennebresque resigned as Non-Executive Chairman and as a director of the Company effective July 15, 2008. Mr. Fennebresque is currently employed by the Company as a Senior Advisor. As a result of these changes, our discussion of compensation decisions for 2008 includes a discussion of our compensation philosophy and elements generally, but separately focuses on three categories: (i) Mr. Malcolm's 2008 compensation; (ii) compensation decisions for our "named executive officers" other than Messrs. Malcolm and Fennebresque; and (iii) arrangements relating to Mr. Fennebresque's resignation as Chief Executive Officer and President and his employment as a Senior Advisor.

Compensation Philosophy and Objectives

Historically, we have sought to maintain a ratio of compensation and benefit expense to revenues in an amount between 58% and 60%, excluding expense associated with the initial grant of restricted stock and options in connection with our initial public offering in 2006. Market conditions deteriorated throughout 2008, and our revenues likewise suffered as the capital raising portion of our revenue base was effectively eliminated. Based on our performance in 2008, we elected to accrue compensation at 62% of revenues, excluding expense associated with the initial grant of equity in connection with our initial public offering. The success of our business is based largely on the quality of our employees, and we must continually monitor the market for their services and seek to offer competitive compensation. We will continue to attempt to maintain compensation levels within our target range; however, we believe it is in our stockholders' best interest to attempt to minimize employee turnover as a result of paying below market compensation. As a result, we have in the past reviewed, and will continue to review, our compensation to revenue ratio on a quarterly basis. There can be no assurance that we will be able to achieve our target levels under difficult market conditions.

Our compensation program, including compensation of the named executive officers, is 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 or her performance against individualized qualitative goals.
- ***Align Executive Officers' Interests with Stockholders' Interests.*** We believe that deferred compensation aligns the interests of our executive officers with those of our stockholders and ensures that our employees are focused on the long-term performance of the Company. In 2008, we paid certain employees a portion of their year-end bonus in the form of deferred cash and/or deferred equity awards subject to service-based vesting requirements. In connection with fiscal 2008 bonus payments, most employees earning at least $300,000 in total compensation for the

year received a portion of their bonus in deferred cash or deferred equity. Pursuant to the deferred compensation formula approved by the Compensation Committee, the percentage of total compensation paid in deferred cash or deferred equity increases as total compensation increases.

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. Although the Compensation Committee has the authority to approve compensation for these individuals, the Compensation Committee has elected to present its compensation recommendations to the full Board of Directors for approval as a matter of good corporate governance. At the end of each year, the Compensation Committee recommends to the Board that the Board approve the amount of total compensation to be paid to such individuals. In making compensation determinations, the Compensation Committee reviews information presented to them by the Company's executive officers, compensation peer group information and the recommendations of a compensation consultant engaged by the Committee. The Compensation Committee reviews our compensation to revenue ratio on a quarterly basis and may adjust the 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 Vice President, our General Counsel and employees in our Human Resources department, assists the Compensation Committee with its work. These individuals assist the Compensation Committee by presenting information to the Compensation Committee and making recommendations for the Compensation Committee's review and 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; performance evaluations; 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 recused himself from all discussions regarding his compensation recommendations and determinations.

Compensation Peer Group

In making compensation decisions, our Compensation Committee reviewed two sets of peer group data. One set of data included a compensation peer group of firms identified by management with which we compete for executive talent. For 2008, our compensation peer group consisted of Greenhill & Co., Inc., Jefferies Group, Inc., JMP Securities, Keefe, Bruyette & Woods, Inc., Knight Capital Group, Lazard LLC, Piper Jaffray & Co., and Thomas Weisel Partners Group, LLC. Management, together with PricewaterhouseCoopers (PWC) the Compensation Committee's compensation consultant, 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 these data when determining our 2008 compensation levels to ensure that our compensation levels are competitive relative to the compensation paid by our peer group.

The other set of peer group data consisted of external market surveys provided by MGMC, Inc., a compensation advisory firm. These market surveys allowed the Compensation Committee to benchmark each executive officer's total compensation against that of certain boutique investment banks and global investment banks. We use these external market surveys because we compete with companies of various sizes for executive officers and other senior employees. For 2008, the boutique investment banks included the following firms: BNP Paribas, Dresdner, Jefferies Group, Inc., JMP Securities, Knight Securities, Lazard LLC, Piper Jaffray & Co. and Thomas Weisel Partners Group, LLC. The global investment banks included the following firms: Bank of America, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS. Each executive officer's total compensation for each of 2007 and 2006, and his compensation recommendation by management to the Compensation Committee for 2008, were compared to: (i) the 2007 average, 25^{th}, 50^{th} and 75^{th} percentile of total compensation of a similarly positioned executive officer at a boutique investment bank; and (ii) the 2007 average, 25^{th}, 50^{th} and 75^{th} percentile of total compensation of an officer with similar functions (but not necessarily the same title) at a global investment bank. The Compensation Committee reviews such composite market data to determine the market median compensation paid to similarly-situated executives. Market data are some of the many factors considered by the Compensation Committee when setting compensation, and the amount paid to each executive officer may be more or less than the composite market median based on the roles and responsibilities of the executive officer, experience level and other factors.

The Impact of Current Market Conditions on Compensation Determinations

Although the Compensation Committee reviewed the peer group data discussed above to assist with their determinations of appropriate compensation levels for our named executive officers in 2008, the Compensation Committee determined that, in light of developments in the financial markets in 2008, the historical data was not as meaningful because it did not reflect the current market environment's impact on peer compensation. Therefore, the Compensation Committee's determinations regarding 2008 total compensation were primarily focused on the Company's performance in 2008 and the named executive officers' respective contributions to the franchise during this tumultuous period.

Compensation Consultant

In 2006, the Compensation Committee engaged PWC as a compensation consultant to provide peer group analyses, competitive assessments and advice. At the request of the Compensation Committee, PWC reviewed all Compensation Committee presentation materials during 2008 and advised the Compensation Committee as to the competitiveness of the base salary and bonus recommendations presented by our Chief Executive Officer, and the competitiveness of the ultimate compensation levels approved by the Board of Directors for each executive officer (including the Chief Executive Officer) and certain other highly compensated employees.

Compensation Program and Payments

Our executive compensation consists of base salary, an annual bonus paid in the form of cash and deferred cash or equity awards and benefits, such as life insurance and other personal benefits. In addition, our Chief Executive Officer is eligible to receive certain payments upon a termination or change in control.

Base Salary

When making compensation decisions, the Compensation Committee makes a determination as to the total compensation an executive officer should receive for that fiscal year, and base salary is a component of that total compensation. 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. Each year the Compensation Committee approves a cap on the aggregate firm-wide dollar amount of base salary increases based on a percentage of the prior year firm-wide base salary level. Historically, we have sought to set the base salaries of our named executive officers such that a significant amount of their total compensation is derived from their annual bonus. This was consistent with standard practice within the securities industry and we believe this allowed us to reward performance. Recently, some securities firms have increased base pay to make it a more meaningful portion of total compensation. Similarly, on March 18, 2009 the United Kingdom Financial Services Authority published a draft Code on remuneration practices that would call for increased base salaries. The Compensation Committee will continue to monitor this developing trend.

On occasion, we may adjust our executive officers' base salaries within the firm-wide base salary cap described above. We did not adjust salaries for our named executive officers or other senior employees in 2008. Each of the named executive officers, other than Mr. Egert, received a base salary of $250,000. Mr. Egert received a base salary of $200,000. Mr. Malcolm's and Mr. McCarthy's base salaries are set out in their employment agreements. We anticipate that fiscal 2009 base salaries for our other named executive officers will remain the same as their fiscal 2008 base salaries. The Compensation Committee will continue to examine developing trends in base pay as the year progresses.

Annual Bonus

The majority of total compensation received by each executive officer is paid in the form of an 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. In prior years, our senior management developed, and the Compensation Committee approved, an equity distribution grid that set forth the percentage of total compensation an employee would receive in the form of equity awards, in lieu of, not in addition to, a cash payment. In 2008, senior management recommended the use of deferred cash in addition to restricted stock awards as an additional component of deferred compensation and developed a deferred compensation formula, which sets forth a percentage of total compensation an employee will receive in the form of deferred compensation awards in lieu of an immediate cash payment. The deferred component of the annual bonus is subject to vesting schedules as discussed below. The deferred compensation formula was discussed and ultimately approved by the Compensation Committee. While conducting this evaluation, the Compensation Committee reviews the practices of our peer companies. For fiscal 2008, the deferred compensation formula was set such that any employee, regardless of title, earning total compensation in excess of $250,000 would, with rare exception, receive a percentage of his or her compensation over $250,000 in the form of a deferred cash or equity award. According to the deferred compensation formula approved by the Compensation Committee, the percentage of total compensation that must be paid in deferred cash or equity increases as total compensation increases. For example, according to the fiscal 2008 deferred compensation formula, an employee earning in excess of $300,000 in total compensation would receive at least 2.5% of his or her total compensation in the form of a deferred compensation award, while an employee earning over $1 million in total compensation would receive at least 30% of his or her total compensation in the form of a deferred compensation award. The Compensation Committee will evaluate the deferred compensation formula every year and makes necessary changes to both remain competitive with our peer companies and to continue aligning the interests of our executive officers' with the interests of our stockholders.

For fiscal 2008, the Compensation Committee decided that all deferred cash compensation relating to fiscal 2008 bonuses was to be subject to vesting as follows: 33% on May 15, 2010, 33% on May 15, 2011 and 34% on May 15, 2011. Deferred cash awards may be paid in Cowen Group, Inc. stock, at the sole discretion of the Company.

For fiscal 2008, the Compensation Committee decided to extend the first vesting period for all equity compensation from one year to two years. Equity awards relating to fiscal 2008 bonuses was to be paid in the form of shares of restricted stock vesting as follows: 0% on May 15, 2010, 50% on May 15, 2011 and 50% on May 15, 2012. In determining the distribution of deferred cash versus deferred equity awards, the Compensation Committee evaluated the following factors:

- the number of shares of restricted stock or other equity-based awards that would need to be granted to achieve the appropriate dollar amount of equity being awarded to the employee;
- limiting as much as possible the dilution to our stockholders associated with the issuance of additional shares at prices below tangible book value; and
- the number of shares of common stock available for grant under our 2007 and 2006 Equity and Incentive Plans.

At its January 15, 2009 meeting, the Compensation Committee determined its recommendations for fiscal 2008 bonuses to our named executive officers and certain other highly-compensated employees. As previously noted, the Compensation Committee has elected to share its recommendations with the full Board and seek their formal approval of final compensation decisions. As a result, on January 22, 2009, the Board of Directors reviewed and approved the Compensation Committee's recommendations. All non-deferred cash bonuses relating to fiscal 2008 were paid in early 2009. The deferred cash or equity award portion of the bonus were awarded in February 2009. To eliminate the impact that a significant price change in the market value of our common stock may have on the number of shares of restricted stock that were to be delivered to an employee, the Compensation Committee approved valuing the restricted stock using the volume-weighted average price for a five trading day period ending on a date in early January, which equaled $6.45 per share.

Compensation Determinations and Relevant Factors

When determining the amount of annual bonus to be paid for fiscal 2008, the Compensation Committee reviewed and considered the following information:

- the financial performance of the Company as a whole and each individual business unit compared to fiscal 2007;
- the financial performance of the Company compared to comparable public companies and other companies in the securities industry;
- historical compensation information for each executive officer;
- performance evaluations of the members of the OCE other than the Chief Executive Officer, prepared by the Chief Executive Officer, reflecting the Chief Executive Officer's review and peer reviews of each executive officer, which the Compensation Committee discussed with the Chief Executive Officer;
- recommendations of the Chief Executive Officer regarding total compensation of our named executive officers and certain other senior employees, which the Compensation Committee discussed with the Chief Executive Officer;
- external market surveys of total compensation paid by certain boutique investment banks and global investment banks; and
- base salary, cash bonus, equity awards and all other compensation paid by the compensation peer group.

Mr. Malcolm's Compensation

Employment Agreement with Mr. Malcolm

On March 4, 2008, our Board of Directors unanimously elected David M. Malcolm President and Chief Executive Officer of the Company, effective immediately. In connection with his appointment as Chief Executive Officer and President of the Company, Mr. Malcolm and the Company entered into an agreement containing the terms and conditions of his employment, or the Malcolm Employment Agreement. The Malcolm Employment Agreement provides that Mr. Malcolm shall be entitled to an annual salary of $250,000 and shall be eligible to receive an annual performance-based bonus as determined by the Board of Directors at the recommendation of the Compensation Committee. In addition, subject to certain vesting provisions, Mr. Malcolm will receive the right to purchase 6.25% of the general partner of an affiliated alternative asset management partnership relating to Cowen Healthcare Royalty Partners, or the CHRP Interest. The Malcolm Employment Agreement is described in greater detail under "Employment Agreements with Certain Named Executive Officers" beginning on page 18.

Mr. Malcolm's 2008 Compensation

When setting fiscal 2008 total compensation for Mr. Malcolm, in addition to the terms of the Malcolm Employment Agreement, the following factors significantly influenced the Compensation Committee:

- Mr. Malcolm's compensation was negatively impacted by the overall annual financial performance of the Company during fiscal 2008.
- Mr. Malcolm's compensation was positively impacted by his leadership of the firm through the transition period caused by Mr. Fennebresque's voluntary resignation.
- Mr. Malcolm's compensation was positively impacted by his leadership during the unprecedented market disclocation in 2008 and his contributions to strengthening our existing platform in the difficult environment, including through strategic personnel investments and new initiatives, such as:
  - contributing to the continued performance of our brokerage group;
  - strengthening our strategic advisory practice, which resulted in increased revenue year-over-year;
  - contributing to the establishment and successful closing of Cowen Healthcare Royalty Partners' first fund in August 2008;
  - completing the acquisition of Latitude Capital Group; and
  - executing various cost cutting measures, which resulted in a year-over-year reduction in non-compensation expenses (excluding the $50 million non-cash goodwill impairment charge).

Based on the factors described above, the Compensation Committee awarded Mr. Malcolm total compensation for 2008 as set forth below in the "Total Compensation" column. Such amounts, after being subject to the deferred compensation formula, were paid as follows:

Name	Base Salary	Cash Bonus	Restricted Stock	Restricted Cash Award	All Other Compensation	Total Compensation
David M. Malcolm	$250,000	$437,500	$225,000 (34,884 shares)	$ 37,500		$ 950,000

Other Named Executive Officers' Compensation

When setting fiscal 2008 total compensation for our named executive officers other than Messrs. Malcolm and Fennebresque, the following factors significantly influenced the Compensation Committee:

- Our named executive officers' compensation was negatively impacted by the overall annual financial performance of the Company during fiscal 2008.

- Our named executive officers' compensation was positively impacted by their respective contributions to strengthening our existing platform in the difficult market environment, and otherwise increasing the efficiency of Cowen, such as:

  - contributing to the establishment and successful closing of Cowen Healthcare Royalty Partners' first fund in August 2008;

  - completing the acquisition of Latitude Capital Group;

  - executing various cost cutting measures, which resulted in the year-over-year reduction in non-compensation expenses (excluding the $50 million non-cash goodwill impairment charge); and

  - contributing to the successful management transition following Mr. Fennebresque's resignation.

The Compensation Committee also took into consideration the Company's employment agreement with Mr. McCarthy. Under his employment agreement, Mr. McCarthy serves as an at-will employee and is entitled to a base salary of $250,000 and a minimum annual bonus of $450,000 for each of 2007 and 2008.

In February 2008, at the recommendation of Mr. Fennebresque, who was then our Chief Executive Officer, and the Compensation Committee, the Board of Directors approved a special one-time cash award of $150,000 to each of Messrs. Conner and White, in connection with their efforts in assisting with the completion of certain strategic initiatives. These awards did not impact the Compensation Committee's determinations regarding year-end compensation for Messrs. Conner and White.

Under the SEC's rules, we are required to report in the Summary Compensation Table on page 16 the dollar amounts of the restricted stock for each named executive officer recognized by the Company as compensation costs for financial reporting purposes (excluding forfeiture assumptions) in accordance with SFAS 123R for the fiscal year. As a result, no portion of the bonuses paid in restricted stock to our named executive officers for their fiscal 2008 performance is included in the Summary Compensation Table because the equity awards were granted in 2009. The table below sets forth the total compensation awarded to the named executive officers for their fiscal 2008 performance. These amounts include the dollar value of the entire amount of the equity award and/or deferred cash award received by the named executive officer in February 2009 but does not include any amounts for the restricted stock and options awarded to the named executive officers in connection with our initial public offering or as part of their 2006 or 2007 compensation. We believe this information is helpful to understanding how our compensation program rewarded our executive officers for their performance during fiscal 2008.

Based on the information and factors described above, the Compensation Committee awarded each of the following named executive officers total compensation for fiscal 2008 as set forth below in the "Total Compensation" column. Such amounts, after being subject to the deferred compensation formula, were paid as follows:

Name	Base Salary	Cash Bonus	Restricted Stock	Restricted Cash Award	Total Compensation
Thomas K. Conner	$ 250,000	$ 212,500		$ 37,500	$ 500,000
Christopher A. White	$ 250,000	$ 335,000	$52,500 (8,140) shares	$ 37,500	$ 675,000
J. Kevin McCarthy	$ 250,000	$ 352,500	$60,000 (9,303) shares	$ 37,500	$ 700,000
Mark A. Egert	$ 200,000	$ 203,000		$ 27,000	$ 430,000

Mr. Fennebresque's Resignation Agreement and Employment Agreement

On March 4, 2008, Mr. Fennebresque resigned as Chief Executive Officer and President of the Company. Mr. Fennebresque resigned as Chairman of the Board of Directors effective July 15, 2008. Mr. Fennebresque currently is employed as a Senior Advisor to the Company.

In connection with Mr. Fennebresque's resignation, he and the Company entered into an agreement containing the terms and conditions of his resignation, or the Resignation Agreement. The Resignation Agreement provided that Mr. Fennebresque forfeited in its entirety to the Company the equity award of 975,000 shares that he received in connection with the initial public offering of the Company, or the IPO Award. Mr. Fennebresque continues to vest in the equity awards he received as part of his 2006 and 2007 annual compensation.

On March 4, 2008, Mr. Fennebresque and the Company also entered into an agreement containing the terms and conditions of his employment as a Senior Advisor to the Company. This agreement provides, among other things, that Mr. Fennebresque shall be employed as a Senior Advisor to the Company at an annual salary of $250,000, with a commitment to the Company not to exceed 20% of Mr. Fennebresque's time. Mr. Fennebresque is entitled to an office paid for by the Company, subject to an initial per annum cap of $75,000 and a terminal cap of $175,000. Mr. Fennebresque had continued use of the car and driver provided to him by the Company through December 31, 2008. Mr. Fennebresque's role as Senior Advisor may continue until the earlier of his resignation or the end of the calendar year of his 70th birthday, and may only be terminated by the Company for cause.

Based on the agreements described above, Mr. Fennebresque received total compensation for fiscal 2008 as set forth below. Mr. Fennebresque's compensation was not subject to the deferred compensation formula because his total cash compensation in 2008 did not exceed $250,000.

Name	Base Salary	Cash Bonus	Restricted Stock	Restricted Cash Award	All Other Compensation(1)	Total Compensation
Kim S. Fennebresque	$250,000				$ 91,499	$ 341,499

(1) All other compensation for Mr. Fennebresque includes the costs associated with a company-provided car and driver and a de minimis annual premium payment for a $50,000 term life insurance policy.

Compensation Actions Prior to and in Connection with our Initial Public Offering

Compensation reported in the Summary Compensation Table and elsewhere in this proxy statement reflects several actions taken before or in connection with our separation from Société Générale, or SG, and our related initial public offering in July 2006. These actions were negotiated prior to the initial public offering and the formation of the Compensation Committee. We describe compensation actions before and in connection with our initial public offering since they significantly affect the amounts reported in this item. The most significant actions are summarized briefly in this section to provide context.

Consistent with our philosophies regarding aligning executives' interests with stockholders' interests and retention of senior employees and in connection with our initial public offering and separation from SG, we granted certain of our senior employees and executive officers equity awards. We and SG agreed that a combination of restricted stock and stock options was the optimal way to align the long-term and short-term goals of the Company, SG and our other stockholders. SG agreed to fund the restricted stock portion of the equity grant. The amount of restricted stock that SG contributed was determined through negotiations between our executive officers and SG. These negotiations preceded our initial public offering. As a result, the Compensation Committee was not involved in these negotiations.

In connection with our initial public offering, our former Chief Executive Officer received an award of 975,000 shares of restricted stock. Mr. Fennebresque forfeited this share award, in its entirety, upon his voluntary resignation as Chief Executive Officer and President on March 4, 2008. Other executive officers also received awards of restricted stock as well as stock options in connection with our initial public offering, as did Mr. Malcolm who was employed by the Company but did not serve as an executive officer at that time. The amount of Mr. Fennebresque's restricted stock award was determined by SG. For our other executive officers and Mr. Malcolm, the amounts of these awards were determined by our former Chief Executive Officer and SG. With the exception of the shares granted to Mr. Fennebresque, the restricted stock vests as follows: 25% on July 12, 2009 and July 12, 2010, respectively and the remaining 50% of the shares on July 12, 2011. The stock options have an exercise price of $16.00 per share, which was the initial offering price to the public of our common stock. The options vest in 25% annual increments commencing on July 12, 2008.

The amount of equity awards related to the initial public offering that we recognized as compensation expense for 2008 financial reporting purposes under SFAS 123R are included in the Summary Compensation Table on page 16, and will continue to be reported in that table in future years as the compensation expense is recognized over the vesting period.

As noted above, we have excluded these initial public offering related equity awards from the computation of our ratio of compensation and benefits expense to revenues.

Termination and Change of Control Arrangements

As discussed in more detail below in "Provisions of Equity Award Agreements with Named Executive Officers", the award agreements with our named executive officers relating to equity grants (both restricted stock and options) in connection with our initial public offering and for 2006 performance to our named executive officers, other than our former Chief Executive Officer, mandate that upon a termination of employment, other than as a result of death, disability or a qualified retirement, all unvested equity awards, and on occasion, all vested equity awards, will be forfeited. The terms of the award agreements for equity grants or deferred cash awards, as applicable, in connection with 2007 or 2008 performance mandate that upon a termination of employment, other than as a result of death, disability or a qualified retirement or without Cause, as defined in the relevant award agreement, all unvested awards will be forfeited. Upon a change-in-control, all equity awards will fully vest and all restrictions will lapse and all deferred cash awards will continue to vest in accordance with the vesting schedule. In addition, each named executive officer must be employed by us on the payment date, with respect to cash, and on the grant date, with respect to equity awards, to receive those components of his annual bonus.

Non-Qualified Deferred Compensation Plans

Since our initial public offering and separation from SG, Cowen Group, Inc. has not sponsored any non-qualified deferred compensation plans in which any of our named executives are participants. Prior to our initial public offering, certain of our named executive officers participated in deferred compensation plans sponsored by SG, the majority of which were terminated in connection with our initial public offering and separation from SG. SG is responsible for all future payments under any remaining deferred compensation plans.

Tax Deductibility under Section 162(m) of the Internal Revenue Code

The Internal Revenue Service, pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction for compensation in excess of $1.0 million paid to our Chief Executive Officer and to each other officer (other than the Chief Executive Officer and Chief Financial Officer) whose compensation is required to be reported to our stockholders pursuant to the Exchange Act by reason of being among our three most highly paid executive officers. In 2007, we sought and obtained shareholder approval for the Company's 2007 Equity and Incentive Plan. The plan is designed to qualify compensation awarded under our annual incentive program as "performance based" to ensure that the tax deduction is available to the Company.

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 Annual Report on Form 10-K/A.

Compensation and Benefits Committee of the Board of Directors of Cowen Group, Inc.

Charles W.B. Wardell, III, *Chairperson*
Philip B. Pool, Jr.
John E. Toffolon, Jr.

Summary Compensation Table

The following table sets forth compensation information for our current Chief Executive Officer for the year ended December 31, 2008 (who became an executive officer on March 4, 2008); compensation information for the years ended December 31, 2006, December 31, 2007 and December 31, 2008 for our Chief Financial Officer and our three other most highly-compensated executive officers, all of whom were serving as executive officers at December 31, 2008; and compensation information for our former Chief Executive Officer for the years ended December 31, 2006, December 31, 2007 and December 31, 2008 (who resigned as the Company's Chief Executive Officer effective March 4, 2008). No portion of the bonuses paid in restricted stock to our named executive officers for their fiscal 2008 performance is included in the Summary Compensation Table because such equity awards were made in 2009. The entries in the stock awards column reflect the amount of stock-based compensation recognized in each period relating to restricted stock awarded in respect of prior years performance and in connection with the initial public offering.

Name & Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)	Total ($)
David M. Malcolm	2008	250,000	437,500	1,234,108	233,295		2,154,903
Chief Executive Officer							
Thomas K. Conner	2008	250,000	212,500	94,636	20,651	150,000(4)	727,787
Chief Financial Officer	2007	250,000	247,500	84,393	24,470		606,363
	2006	200,000	435,000	25,179	12,616		672,795
Christopher A. White	2008	250,000	335,000	169,834			