

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2022

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32026

**COHEN & COMPANY INC.**

(Exact name of registrant as specified in its charter)

Maryland  
(State or Other Jurisdiction of  
Incorporation or Organization)

16-1685692  
(I.R.S. Employer  
Identification No.)

Cira Centre  
2929 Arch Street, Suite 1703  
Philadelphia, Pennsylvania  
(Address of principal executive offices)

19104  
(Zip Code)

Registrant's telephone number, including area code: (215) 701-9555  
Securities registered pursuant to Section 12(b) of the Act:

Title of class  
Common Stock, par value \$0.01 per share

Trading Symbol(s)  
COHN

Name of each exchange on which registered  
NYSE AMERICAN STOCK EXCHANGE

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files. Yes ☒ No ☐

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

Large accelerated filer ☐  
Non-accelerated filer ☐

Accelerated filer ☐  
Smaller Reporting Company ☒  
Emerging Growth Company ☐

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

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

As of June 30, 2022, the aggregate market value of the Common Stock held by non-affiliates of the Registrant was approximately \$13.9 million. As of March 6, 2023, there were 1,819,866 shares of Common Stock of Cohen & Company Inc. outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the Registrant's 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

**COHEN & COMPANY INC.**

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## Forward Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue,” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

These forward-looking statements are found at various places throughout this Annual Report on Form 10-K and include information concerning possible or assumed future results of our operations, including statements about the following subjects:

- integration of operations;
- business strategies;
- growth opportunities;
- competitive position;
- market outlook;
- expected financial position;
- expected results of operations;
- future cash flows;
- financing plans;
- plans and objectives of management;
- tax treatment of the business combinations;
- our investments in both SPACs and SPAC sponsor entities, including through our SPAC Fund and SPAC Series Funds;
- our role as asset manager and sponsor in our SPAC franchise;
- fair value of assets; and
- any other statements regarding future growth, future cash needs, future operations, business plans, future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties, and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You should consider the areas of risk and uncertainty described above and discussed under “Item 1A — Risk Factors.” Actual results may differ materially as a result of various factors, some of which are outside our control, including the following:

- a decline in general economic conditions or the global financial markets;
- continuation of the COVID-19 pandemic or future outbreaks of COVID-19, the timing and effectiveness of vaccine distribution, and uncertainty surrounding the length and severity of future impacts on the global economy and on our business, liquidity, results of operations and financial condition;
- economic uncertainty and capital markets disruption which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine;
- risks and liabilities due to our investments in the equity interests of SPACs and SPAC sponsor entities including the risk of increased regulation applicable to SPACs, risks regarding litigation in connection with the SPACs in which we invest and those which we sponsor, uncertainty of whether the SPACs in which we invest and those we sponsor will consummate a business combination, adverse impacts of COVID-19 on our SPAC franchise, significant competition for business opportunities in the SPAC industry, write-downs or write-offs with respect to the securities which we hold subsequent to the consummation of an initial business combination by the SPACs in which we invest and those which we sponsor, and the target of a SPAC being an early-stage and financially unstable company;
- losses caused by financial or other problems experienced by third parties;
- losses due to unidentified or unanticipated risks;
- losses (whether realized or unrealized) on our principal investments;
- a lack of liquidity, i.e., ready access to funds for use in our businesses, or the availability of financing at prohibitive rates;
- the ability to attract and retain personnel;
- the ability to meet regulatory capital requirements administered by federal agencies;
- the ability to pay dividends;
- an inability to generate incremental income from acquired, newly established, or expanded businesses;
- unanticipated market closures due to inclement weather or other disasters;
- the volume of trading in securities including collateralized securities transactions;
- the liquidity in capital markets;
- the creditworthiness of our correspondents, trading counterparties, and banking and margin customers;
- changing interest rates and their impacts on U.S. residential mortgage volumes;

- competitive conditions in each of our business segments;
- the availability of borrowings under credit lines, credit agreements, warehouse agreements, and our credit facilities;
- the potential misconduct or errors by our employees or by entities with whom we conduct business; and
- the potential for litigation and other regulatory liability.

Our Internet website is [www.cohenandcompany.com](http://www.cohenandcompany.com) and we make available on our website our filings with the Securities and Exchange Commission (“SEC”), including annual reports, quarterly reports, current reports and any amendments to those filings. The reference to our website address does not constitute incorporation by reference of the information contained therein into this Form 10-K. We also use our website to disseminate other material information to our investors (on the Home Page and in the “Investor Relations” section of our website). We also post on our website our press releases and information about our public conference calls (including the scheduled dates, times and the methods by which investors and others can listen to those calls), and we make available for replay webcasts of those calls and other presentations for a limited time.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. All subsequent written and oral forward-looking statements concerning other matters addressed in this Annual Report on Form 10-K and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Annual Report on Form 10-K. Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

### Certain Terms Used in this Annual Report on Form 10-K

In this Annual Report on Form 10-K, unless otherwise noted or as the context otherwise requires, the “*Company*,” “*we*,” “*us*,” and “*our*” refer to Cohen & Company Inc. (formerly Institutional Financial Markets, Inc.), a Maryland corporation and its subsidiaries on a consolidated basis; and “*Cohen & Company, LLC*” (formerly IFMI, LLC) or the “*Operating LLC*” refer to the main operating subsidiary of the Company.

“*Cohen Brothers*” refers to the pre-merger Cohen Brothers, LLC and its subsidiaries; “*AFN*” refers to the pre-merger Alesco Financial Inc. and its subsidiaries; “*AFN Merger*” refers to the December 16, 2009 closing of the merger of AFN, Alesco Financial Holdings, LLC, a wholly owned subsidiary of AFN, with and into Cohen Brothers, which resulted in Cohen Brothers becoming a majority owned subsidiary of the Company.

“*JVB Holdings*” refers to JVB Financial Holdings, L.P., a wholly owned subsidiary of the Operating LLC; “*JVB*” refers to J.V.B. Financial Group, LLC, a wholly owned broker dealer subsidiary of JVB Holdings; “*CCFL*” refers to Cohen & Company Financial Limited (formerly known as EuroDekania Management LTD), a wholly owned subsidiary of the Operating LLC formerly regulated by the Financial Conduct Authority (formerly known as the Financial Services Authority) in the United Kingdom (the “FCA”); “*CCFEL*” refers to Cohen & Company Financial (Europe) Limited, a wholly owned subsidiary of the Operating LLC formerly regulated by the Central Bank of Ireland (the “CBI”); Cohen & Company Financial Europe S.A. (“CCFESA”), a majority owned operating subsidiary of the Operating LLC regulated by the Autorite de Controle Prudentiel et de Resolution (“ACPR”); and, “*EuroDekania*” refers to EuroDekania (Cayman) Ltd., a Cayman Islands exempted company that was externally managed by CCFL.

“*Securities Act*” refers to the Securities Act of 1933, as amended; and “*Exchange Act*” refers to the Securities Exchange Act of 1934, as amended.

## ITEM 1. BUSINESS.

## INFORMATION REGARDING COHEN &amp; COMPANY INC.

*Overview*

We are a Maryland corporation incorporated on October 6, 2003. We are a financial services company specializing in an expanding range of capital markets and asset management services. Our business segments are Capital Markets, Asset Management, and Principal Investing. Our Capital Markets business segment consists of fixed income sales, trading, and gestation repo financing as well as new issue placements in corporate and securitized products and advisory services, operating primarily through our subsidiaries, JVB in the United States (the “U.S.”) and CCFESA in Europe. A division of JVB, Cohen & Company Capital Markets (“CCM”) is our full-service boutique investment bank which focuses on mergers and acquisitions (“M&A”), capital markets, and SPAC advisory. Our Asset Management business segment manages assets through investment vehicles, such as collateralized debt obligations (“CDOs”), managed accounts, joint ventures, and investment funds (collectively, “Investment Vehicles”). As of December 31, 2022, we had approximately \$2.1 billion of assets under management (“AUM”) in primarily fixed income assets in a variety of asset classes including U.S. and European bank and insurance trust preferred securities (“TruPS”), debt issued by small and medium sized European, U.S., and Bermuda insurance and reinsurance companies, equity interests of SPACs and their sponsor entities. Our Principal Investing business segment is comprised primarily of investments we hold related to our SPAC franchise and investments that we have made for the purpose of earning an investment return rather than investments made to support our trading or other capital markets business activity.

*Capital Markets*

Our Capital Markets business segment consists primarily of fixed income sales, trading, and gestation repo financing as well as new issue placements in corporate and securitized products and advisory services operating primarily through our subsidiaries, JVB in the U.S. and CCFESA in Europe. JVB is our sole operating U.S. broker-dealer, under our JVB Holdings subsidiary, and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Industry Protection Corporation (“SIPC”). CCFESA is regulated by the Autorite de Controle Prudentiel et de Resolution (“ACPR”).

CCM was established in 2021 as a division of JVB to address the coverage gaps and structural conflicts at leading investment banks. Outside of expertise in M&A, capital markets, and SPAC advisory, CCM has investment banking professionals with experience in a number of emerging growth verticals including blockchain and digital assets, auto-tech, clean-tech, and cyber security, and continues to add new industry verticals to serve its clients. To date, CCM has hired 22 professionals with substantial industry experience to build a leading boutique capital markets and advisory team.

Our fixed income sales and trading group provides trade execution to corporate investors, institutional investors, mortgage originators, and other smaller broker-dealers. We specialize in a variety of products, including but not limited to: corporate bonds and loans, asset-backed securities (“ABS”), mortgage backed securities (“MBS”), commercial mortgage-backed securities (“CMBS”), residential mortgage-backed securities (“RMBS”), CDOs, collateralized loan obligations (“CLOs”), collateralized bond obligations (“CBOs”), collateralized mortgage obligations (“CMOs”), municipal securities, to-be-announced securities (“TBAs”) and other forward agency MBS contracts, U.S. government bonds, U.S. government agency securities, brokered deposits and certificates of deposit (“CDs”) for small banks, and hybrid capital of financial institutions including TruPS, whole loans, and other structured financial instruments.

In 2012, we established a trading desk for “to-be-announced” securities, or TBAs, as part of our mortgage group. TBAs are forward mortgage-backed securities whose exact collateral remains unknown until just prior to the trade settlement, although the characteristics of the collateral are known. The forward collateral types are exclusively issued by U.S. government agencies, such as the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”), and the Government National Mortgage Association (“Ginnie Mae”). One objective of our mortgage group is to provide capital markets execution services to small and middle market institutional mortgage originators that hedge their mortgage pipelines. In addition to providing credit for MBS trading lines and execution services, our mortgage group offers trading of specified pools and financing for qualified originators. Our mortgage group offers a range of solutions for institutional clients seeking to enhance their mortgage pipeline execution and overall portfolio profitability. In addition, our mortgage group acts as an intermediary between borrowers and lenders of short-term funds and provides funding for various inventory positions using repurchase agreements.

For several years, JVB has operated a gestation repo financing program. In general, JVB lends money to a counterparty after obtaining collateral securities from that counterparty via a reverse repurchase agreement. JVB also borrows money from another counterparty using the same collateral securities via a repurchase agreement. JVB seeks to earn net interest margin on these transactions. Gestation repo involves entering into repurchase and reverse repurchase agreements where the underlying collateral security represents a pool of newly issued mortgage loans. The borrowers (the reverse repurchase agreement counterparties) are generally mortgage originators. The lenders (the repurchase agreement counterparties) are a diverse group of counterparties comprised of banks, insurance companies, and other financial institutions. Gestation trades can be structured in two ways: (i) on balance sheet trades and (ii) agency trades. For on balance sheet trades, JVB borrows from one counterparty and lends to another on a principal basis and earns net interest margin. For agency repo trades, JVB gets paid a fee (which is paid by the borrower and is a function of the reverse repo notional amount), while the borrower and lender transact with each other directly.

From 2017 through 2021, we also operated a matched book general collateral funding (“GCF”) repo business as a full netting member of the Fixed Income Clearing Corporation’s (“FICC”) Government Services Division. Primarily due to reduced spreads in the repo market for GCF collateral, we exited the GCF business in 2021.

Our Capital Markets business segment generates revenue through the following activities: (1) trading activities, which include execution and brokerage services, gestation repo, riskless trading activities as well as gains and losses (unrealized and realized), and income and expense earned on securities classified as trading, and (2) new issue and advisory revenue comprised of (a) origination fees for newly created financial instruments originated by us, (b) revenue from advisory services, and (c) new issue revenue associated with arranging and placing the issuance of newly created financial instruments. Our Capital Markets business segment has offices in Boca Raton (Florida), Jupiter (Florida), Locust Valley (New York), Menlo Park (California), New York City (New York), Paris (France), and Philadelphia (Pennsylvania).

Trades in our Capital Markets business segment can be either “riskless” or risk based. “Riskless trades” are transacted with a customer order in hand, resulting in limited risk to us. “Risk-based trades” involve us owning the securities and thus placing our capital at risk. Such risk-based trading activity may include the use of leverage. In recent years, we began to utilize more leverage in our Capital Markets business segment. We believe that the prudent use of capital to facilitate client orders increases trading volume and profitability. Any gains or losses on trading securities that we have classified as investments-trading are recorded in our Capital Markets business segment, whereas any gains or losses on securities that we classified as other investments, at fair value are recorded in our Principal Investing business segment.

Our commercial real estate lending platform (“CRE Opportunities”), which operates outside of JVB, was created in 2021 with a primary focus on multi-family transitional loans and a team of nine professionals with extensive origination, underwriting, and securitization experience in the commercial real estate market.

## Asset Management

Our Asset Management business segment manages assets within a variety of Investment Vehicles. We earn management fees for our ongoing asset management services provided to these Investment Vehicles, which may include fees both senior and subordinate to the securities issued by the Investment Vehicles. Management fees are based on the value of the AUM or the investment performance of the vehicle, or both. As of December 31, 2022, we had \$2.1 billion in AUM. AUM equals the sum of the net asset value (“NAV”) or gross assets of the Investment Vehicles we manage based on whichever measurement serves as the basis for the calculation of our management fees. Our calculation of AUM may differ from the calculations of other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers. This definition of AUM is not necessarily identical to any definition of AUM that may be used in our management agreements. We do not receive management fees for assets managed within our SPAC Series Funds. See discussion below.

As of December 31, 2022, we had three subsidiaries that act as managers to our Investment Vehicles. Two of these subsidiaries, Cohen & Company Financial Management, LLC (“CCFM”) and Dekania Capital Management, LLC (“DCM”), are registered investment advisors under the Investment Advisers Act of 1940 (the “Investment Advisers Act”). CCFESA is based in France and regulated by the ACPR.

Subsidiary	Product Line
CCFM	SPAC Fund, SPAC Series Funds, Alesco CDOs
DCM	U.S. Insurance JV, Dekania Europe CDOs
CCFESA	PriDe Funds and other managed accounts.

The table below shows changes in our AUM by product line for the last five years.

### ASSETS UNDER MANAGEMENT (Dollars in Millions)

	As of December 31,				
	2022	2021	2020	2019	2018
PriDe Funds and Other Managed Accounts	\$ 813	\$ 721	\$ 587	\$ 492	\$ 408
U.S. Insurance JV	122	142	48	49	43
SPAC Fund	81	125	53	18	15
SPAC Series Funds	47	130	24	-	-
Non-CDO Investment Vehicles	1,063	1,118	712	559	466
Alesco CDOs	946	1,099	1,890	2,044	2,112
Dekania Europe CDOs.	107	141	167	153	171
Other	-	-	-	-	103
Total CDO AUM	1,053	1,240	2,057	2,197	2,386
Total AUM	\$ 2,116	\$ 2,358	\$ 2,769	\$ 2,756	\$ 2,852

A description of Investment Vehicles that were under management as of December 31, 2022 is set forth below.

**PriDe Funds and Other Managed Accounts.** In July 2014, we became the investment advisor of a newly created French investment fund with total commitments of €238 million, and an initial investment period of two years (which was later extended by two years) and a maturity date of July 2026 (which was later extended until July 2028). In January 2017, the second vintage funds in the series of these funds closed with total commitments of €203.5 million, and an initial investment period of three years (which was later extended by two years) and a maturity date of January 2032. In July 2020, the third vintage funds in the series of these funds closed with total commitments of €375.5 million, and an initial investment period of three years and a maturity date of July 2033. This series of funds is referred to in this Annual Report on Form 10-K as the “PriDe Funds.” The PriDe Funds earn investment returns by investing in a diversified portfolio of debt securities issued by small and medium sized European insurance companies that have limited access to capital markets. CCFESA earns investment advisor regular fees and investment advisor performance fees depending on the level of returns achieved. We have not made an investment, nor do we expect to make any investment, in the PriDe Funds. In addition, we provide investment management services to a number of separately managed accounts. Part of our European CDO team has transitioned to providing investment management or advisory services primarily to European family offices, high net worth individuals, and asset managers. The investment focus is on CDO and CLO notes and debt instruments where the investment managers have relevant expertise. For these services, we are paid gross annual base management or advisory fees of approximately 1.5% plus a gross annual performance fee of 20% of cash-on-cash returns in excess of an 8% hurdle. There is also an early redemption fee if any of the clients were to terminate their arrangement within the first five years of the relationship. AUM of the PriDe Funds and other managed accounts was \$813.0 million as of December 31, 2022.

**U.S. Insurance JV.** In May 2018, we committed to invest up to \$3.0 million in a newly formed joint venture (the “U.S. Insurance JV”) with an outside investor that committed to invest approximately \$63.0 million of equity in the U.S. Insurance JV. The U.S. Insurance JV was formed for the purposes of investing in debt issued by small and medium sized U.S. and Bermuda insurance and reinsurance companies and is managed by DCM. We were required to invest 4.5% of the total equity of the U.S. Insurance JV with an absolute limit of \$3.0 million. The U.S. Insurance JV has a \$250 million credit agreement for leverage to grow its assets. As of December 31, 2022, the NAV of the U.S. Insurance JV was \$139.6 million, we had fulfilled our investment commitment, and our investment in the U.S. Insurance JV was valued at \$3.5 million. In addition, the insurance company debt that will be funded by the U.S. Insurance JV may be originated by us and there may be origination fees earned in connection with such transactions. We also earn management fees as manager of the U.S. Insurance JV. We are entitled to a quarterly base management fee, an annual incentive fee (if certain return hurdles are met), and an additional incentive fee upon the liquidation of the portfolio (if certain return hurdles are met).

**SPAC Fund.** In 2018, we invested in and became the investment manager and general partner of a newly formed Delaware limited partnership and the investment manager for a Cayman Islands exempted company that are feeder funds into a separate Cayman Islands exempted company that serves as the primary investment vehicle (the “SPAC Fund”). The SPAC Fund was created for the purpose of investing primarily in the equity interests of SPACs and, in certain circumstances, SPAC sponsor entities including SPACs sponsored by us, our affiliates, and third parties. As of December 31, 2022, our investment in the SPAC Fund was valued at \$0.5 million. CCFM is the manager of the SPAC Fund and is entitled to a quarterly base management fee based on a percentage of the NAV of the SPAC Fund and the general partner of the SPAC fund is entitled to an annual incentive allocation based on the actual returns earned by the general partner of the SPAC Fund. We consolidate the general partner of the SPAC Fund and own 1/3 of the equity of the general partner of the SPAC Fund. As of December 31, 2022, the NAV of the SPAC Fund was \$80.9 million.

**SPAC Series Funds.** As a complement to the SPAC Fund, we established and became the managing member and investment manager to two newly formed umbrella limited liability companies (the “SPAC Series Funds”) that issue a separate series for each investment portfolio, which typically consists of investments in the sponsor entities of individual SPACs. The investing activity of the SPAC Series Funds includes purchasing interests in the placement units of certain SPAC sponsor entities that, in addition to placement units, entitle the SPAC Series Funds to certain amounts of founder shares, for a nominal purchase price. The number of founder shares allocated to the SPAC Series Funds are not finally determined until the related business combination (if any) is completed by the applicable SPAC. The amount of founder shares allocable to each SPAC Series Fund is subject to change for two main reasons. First, if a business combination is not completed by the applicable SPAC within the allowed timeframe, the SPAC Series Funds will forfeit all the founder shares allocated to them for that particular SPAC. Second, even if a business combination by the applicable SPAC is completed, the economic terms of the combination are subject to negotiation between the target company and that SPAC. In many cases, the total amount of founder shares to which the sponsor entities are entitled will be reduced as part of these negotiations. In these cases, any allocation to the SPAC Series Funds will also be reduced. Although we do not charge a management fee for most of the SPAC Series Funds, nor do we earn a performance fee from most of the SPAC Series Funds, we and certain of our employees receive a portion of the allocations of founder shares, for a nominal purchase price, from the SPAC sponsor entities in which the SPAC Series Funds invest. As of December 31, 2022, the SPAC Series Funds had issued limited liability company interests and invested in 43 SPAC sponsor entities, and the aggregated total net asset carrying value of the remaining SPAC Series Funds was \$47.5 million. As of December 31, 2022, our investment in the SPAC Series Funds was carried at \$2.4 million. As of December 31, 2022, in our capacity as the asset manager of the SPAC Series Funds, we had received and still hold an allocation of 9.3 million founder shares, for a nominal purchase price, from 22 different SPAC sponsor entities. These allocations will be worthless if the underlying SPACs fail to complete their business combination and liquidate. Furthermore, even if a business combination is completed, the founder shares allocable to us may be adjusted significantly downward based on final negotiation with the business combination counterparty. See below description of our Principal Investments as of December 31, 2022.

**CDOs.** As of December 31, 2022, we managed five Alesco CDOs and two Dekania Europe CDOs, which were initially securitized during 2004 to 2007. A CDO is a form of secured borrowing secured by different types of fixed income assets such as corporate or mortgage loans or bonds. The borrowing is in the form of a securitization, which means that the lenders are actually investing in notes secured by the assets. In the event of a default, the lender will have recourse only to the assets securing the loan. These structures can hold different types of securities, but as of December 31, 2022, our only remaining CDOs under management were backed by U.S. and European bank and insurance TruPS and subordinated debt. In general, our Alesco and Dekania Europe deals have the following terms. We receive senior and subordinate management fees. We can be removed as manager without cause if 66.7% of the rated note holders voting separately by class and 66.7% of the equity holders vote to remove us, or if 75% of the most senior note holders vote to remove us when certain over-collateralization ratios fall below 100%. We can be removed as manager for cause if a majority of the controlling class of note holders or a majority of equity holders vote to remove us. “Cause” includes unremedied violations of the collateral management agreement or indenture, defaults attributable to certain actions of the manager, misrepresentations or fraud, criminal activity, bankruptcy, insolvency or dissolution. There was a non-call period for the equity holders, which ranged from three to six years. Once this non-call period expires, a majority of the equity holders can trigger an optional redemption as long as the liquidation of the collateral generates sufficient proceeds to pay all principal and accrued interest on the rated notes and all expenses. In ten years after the closing, an auction call will be triggered if the rated notes have not been redeemed in full. In an auction call redemption, an appointee will conduct an auction of the collateral, which will only be executed if the highest bid results in sufficient proceeds to pay all principal and accrued interest on the rated notes and all expenses. If the auction is not successfully completed, all residual interest that would normally be distributed to equity holders will be sequentially applied to reduce the principal of the rated notes. Any failure of an over-collateralization coverage test redirects interest to paying down notes until compliance is restored. The securities mature up to 30 years from closing. An event of default will occur if certain over-collateralization ratios drop below 100%. While an event of default exists, a majority of the senior note holders can declare the principal and accrued and unpaid interest immediately due and payable. All of the Alesco and Dekania Europe CDOs that we manage have reached their auction call redemption features, which means the portfolio of collateral for each CDO is subject to an auction on either a quarterly or bi-annual basis. If an auction is successful, the management contract related to such CDO will be terminated in connection with the liquidation of the CDO and we will lose the related management fees.



**CREO JV.** In September 2021, we committed to invest up to \$15.0 million of equity into a newly formed joint venture (the “CREO JV”) with an outside investor that committed to invest approximately \$435.0 million of equity into the CREO JV. We are required to invest 7.5% of the total equity of the CREO JV with a maximum investment of \$15.0 million. As of December 31, 2022, the NAV of the CREO JV was \$87.8 million, we had invested \$6.5 million of our \$15.0 million investment commitment, and our investment in the CREO JV was valued at \$6.6 million. The CREO JV is managed by us. The CREO JV was formed for the purposes of investing in primarily multi-family commercial real estate mortgage-backed loans and below-investment-grade rated tranches in CRE CLOs collateralized by mostly transitional commercial real estate mortgage-backed loans. “CRE CLO” means any pooling of commercial real estate mortgage-backed loans into a collateralized loan obligation. The commercial real estate loans that are funded by the CREO JV may be originated by us and we may earn origination fees in connection with such transactions. In addition, we may earn structuring fees in connection with structuring and consummating a CRE CLO consisting of a pooling of commercial real estate loans. Any origination fees or structuring fees earned by us will be in our Capital Markets segment. We will also earn management fees as manager of any CRE CLOs based on the value of the assets consolidated into a CRE CLO (calculated in accordance with the terms of such CRE CLO), payable from the proceeds generated by and in accordance with the distribution waterfall of such CRE CLO. The CREO JV has a repurchase facility to finance its assets until they can be securitized into CRE CLOs. Through December 31, 2022, we had not yet structured or consummated a CRE CLO and, accordingly, had not earned any management fees as manager have been earned yet.

In addition, we have historically received revenue shares from certain asset management businesses that we initially sponsored or owned, and subsequently sold or spun-off. A description of our only remaining asset management revenue share as of December 31, 2022 is set forth below.

**Infrastructure Finance Business.** On March 12, 2012, we entered into an agreement with unrelated third parties whereby we agreed to assist in the establishment of an international infrastructure finance business (“IIFC”). As consideration for our assistance in establishing IIFC, we received 8.0% of certain revenues of the manager of IIFC through October 31, 2021, and effective November 1, 2021, we receive 7.35% of certain revenues of the manager of IIFC. The IIFC revenue share arrangement expires when we have earned a cumulative \$20 million in revenue share payments or with the dissolution of IIFC’s management company. Also, in any particular year, the revenue share earned by us cannot exceed \$2.0 million. In 2022, we earned \$0.7 million from the IIFC revenue share. From inception through 2022, we have earned \$4.5 million.

## Principal Investing

Our Principal Investing business segment has historically been comprised of investments in the Investment Vehicles we manage, as well as investments in certain other structured products, and the related gains and losses that they generate. In 2014, we refocused our Principal Investing portfolio on products that we do not manage for the purpose of earning an investment return. More recently, capitalizing on our SPAC expertise, we have become active in multiple aspects of the SPAC market, including as a sponsor, asset manager, and investor, and as a result we hold various investments related to our SPAC franchise.

A SPAC is a shell corporation formed for the sole purpose of raising investment capital through an initial public offering (“IPO”), which is then used to acquire or merge with one or more unspecified businesses to be identified after the IPO. SPACs are formed and sponsored by experienced business executives who are confident that their reputation and experience will help them identify a profitable company to acquire or with which to merge. The sponsors of the applicable SPAC generally provide the starting capital for that SPAC and such sponsors stand to benefit from a sizeable stake in the post business combination acquired or merged company (assuming a business combination is consummated by the SPAC which they sponsor). The capital raised in the SPAC’s IPO is placed in an interest-bearing trust account and cannot be disbursed except to complete a business combination or to return the money to investors (if the SPAC does not complete a business combination within the required time period and must be liquidated.) A SPAC generally has approximately two years to complete a deal. In return for the capital invested by investors in the SPAC IPO, investors typically receive units in the SPAC, with each unit often comprising a share of common stock and a warrant (or fraction thereof) to purchase more stock at a later date. The purchase price per unit of the securities is typically \$10.00. After a SPAC’s IPO, the pre-IPO units of the SPAC become separable into shares of common stock and warrants. The purpose of the warrant is to provide investors with additional compensation for investing in the SPAC. The warrants generally become exercisable either 30 days after the completion of a business combination or twelve months after the IPO. The fair market value of the target company must be at least 80% (but generally much more) of the SPAC’s trust assets. Upon successful completion of a business combination, the sponsors will profit from their stake in the post-business combination acquired or merged company, while the investors receive an equity interest according to their respective investment amounts. The founders of the SPAC generally purchase founder shares at the initiation of the SPAC, paying nominal consideration for the number of shares that, based on recent transactions, results in or around a 20% to 25% ownership stake in the outstanding shares after the completion of the IPO.

Since 2018, we have sponsored three SPACs. Our first sponsored SPAC, Insurance Acquisition Corp. (“Insurance SPAC”), completed its \$150.7 million IPO in March 2019, entered into a merger agreement in June 2020, and completed its business combination in October 2020 with Shift Technologies, Inc. (“Shift”), a car-buying e-commerce platform. When the merger closed on October 13, 2020, Insurance SPAC changed its name to “Shift Technologies, Inc.” and, on October 15, 2020, its trading symbol on the NASDAQ Capital Market (“NASDAQ”) changed from “INSU” to “SFT.” Our second sponsored SPAC, INSU Acquisition Corp. II (“Insurance SPAC II”), completed its \$250 million IPO in September 2020 and entered into a merger agreement in November 2020 with Metromile, Inc., a digital insurance platform and pay-by-mile auto insurer (“MetroMile”), which closed on February 9, 2021. When the merger closed, Insurance SPAC II changed its name to Metromile, Inc. and on February 10, 2021, its trading symbol on NASDAQ changed from “INAQ” to “MILE.” Subsequently, MetroMile was acquired by Lemonade, Inc. (NASDAQ:LMND) (“Lemonade”). Our third sponsored SPAC, INSU Acquisition Corp. III (“Insurance SPAC III”), completed its \$218 million IPO in December 2020 and was liquidated in December 2022 without completing a business combination within the required timeframe. See note 4 to our consolidated financial statements included in this Annual Report on Form 10-K.

Subject to changes in the overall SPAC market, which are evolving rapidly, we may continue to grow our SPAC franchise and capitalize on opportunities in the space. In addition to our sponsored SPACs, we receive founder shares and purchase placement units and IPO units in various SPACs sponsored by third parties and affiliates, through our SPAC Fund, our SPAC Series Funds, and our Principal Investing portfolio. The amount of founder shares allocated to us are not finally determined until the related business combination is completed. The amount of founder shares allocable to us are subject to change for two main reasons. First, if a business combination is not completed by the applicable SPAC within the allowed time frame, we will forfeit all the founder shares allocated to us for that particular SPAC. Second, even if a business combination is completed by the applicable SPAC, the economic terms of the combination are subject to negotiation between the target company and that SPAC. In many cases, the total amount of founder shares to which the sponsor entities are entitled to will be reduced as part of these negotiations. In these cases, any allocation of founder shares to us will also be reduced.

We also invest in SPAC sponsor entities that we do not consolidate because we are not the managing member of such sponsor entity or otherwise do not have the power to direct the sponsor entity's most important activities. In these cases, we treat our investment in the SPAC sponsor entity as an equity method investment. Furthermore, because of the difficulty of determining the fair value of such an investment during the applicable SPAC's pre-business combination period, we generally have not elected fair value option. If a SPAC completes a business combination and we have an equity method investment in the associated sponsor entity, the sponsor entity will record income equal to the difference between the fair value of the restricted and unrestricted shares it receives and the carrying value of its equity method investment in the SPAC. We will recognize our share of this gain as income from equity method affiliates. The sponsor entity will continue to mark its investment in the SPAC to market after the business combination and we will recognize our share of the change in fair value as income or loss from equity method affiliates. Once the sponsor entity distributes to us our share of the SPAC shares it owns, we will reclassify our investment from investment in equity method affiliate to other investments, at fair value as we will then hold the SPAC shares directly (rather than through an equity method investee). We will then record principal transactions income and loss until the SPAC shares themselves are liquidated.

As of December 31, 2022, our Principal Investing portfolio included other investments, at fair value, which were valued at \$28.0 million, and investments in equity method affiliates, which were carried at \$8.9 million. A description of our Principal Investments as of December 31, 2022 is set forth below.

Investment	Ticker	Other Investments, at fair value	Investments in Equity Method Affiliates
<u>Sponsored SPACs:</u>			
<i>Post-Business Combination</i>			
Lemonade, Inc.	LMND	\$ 561	\$ -
Shift Technologies, Inc.	SFT	245	-
		806	-
<u>Non-Sponsored SPACs:</u>			
<i>Post-Business Combination</i>			
Alpha Tau Medical Ltd.	DRTS	-	379
Archer Aviation, Inc.	ACHR	7	-
Blacksky Technologies, Inc.	BKSY	28	-
FOXO Technologies, Inc.	FOXO	109	-
Heliogen, Inc.	HLGN	353	-
MoneyLion, Inc.	ML	25	-
Parella Weinberg Partners	PWP	232	121
Payoneer Global, Inc.	PAYO	1,633	-
REE Automotive Ltd.	REE	296	-
Rubicon Technologies, Inc.	RBT	4,424	-
Rumble Inc.	RUM	23	-
Wejo Group, Ltd.	WEJO	175	-
		7,305	500
<i>Pre-Business Combination</i>			
Various		1,061	-
<u>Other Investments:</u>			
CREO JV		6,568	-
U.S. Insurance JV		3,459	-
Dutch Real Estate		-	5,530
SPAC Fund		527	-
SPAC Series Funds		-	2,336
Stoa USA Inc. / FlipOs		6,693	-
Other Investments		1,603	563
		18,850	8,429
Total Principal Investing Portfolio		\$ 28,022	\$ 8,929

**Investment in Sponsored SPACs, Post-Business Combination.** As of December 31, 2022, our investment in the post-business combination public equities of Shift and Lemonade was valued at \$0.8 million, which was included as a component of other investments, at fair value in our consolidated balance sheet. Our investment in Shift is the result of our sponsorship of Insurance SPAC and our investment in Lemonade is the result of our sponsorship of Insurance SPAC II. Certain of the shares are subject to restrictions on transfer until certain threshold trading prices are met. See notes 4 and 9 to our consolidated financial statements included in this Annual Report on Form 10-K.

**Investment in Non-Sponsored SPACs, Post-Business Combination.** An investment in non-sponsored SPACs, post-business combination is classified as other investments, at fair value after we receive our allocation of the post-business combination publicly traded company shares. During the period between a closing of the business combination and receiving our allocation of shares in the post-business combination publicly traded company, an investment in non-sponsored SPACs, post-business combination is classified as an investment in equity method affiliates, representing an investment in the sponsor of the SPAC, entitling us to an eventual allocation of post-business combination public company shares. As of December 31, 2022, our investment in the public equity of non-sponsored SPACs, post-business combination was valued at \$7.3 million as a component of other investments, at fair value and our investment in the sponsors entitling us to public equity of non-sponsored SPACs, post-business combination had a carrying value of \$0.5 million as a component of investment in equity method affiliates. These investments are primarily a result of allocations of founder shares to us and certain of our employees, for a nominal purchase price, from the SPAC sponsor entities in which the SPAC Series Funds invest. Certain of the shares are subject to restrictions on transfer until threshold trading prices are met. See notes 4 and 9 to our consolidated financial statements included in this Annual Report on Form 10-K.

**Investment in Non-Sponsored SPACs, Pre-Business Combination.** An investment in non-sponsored SPACs, pre-business combination is classified as other investments, at fair value if we purchase shares of publicly traded SPACs directly in the open market. An investment in non-sponsored SPACs, pre-business combination is classified as an investment in equity method affiliates if the investment is in the sponsor of a SPAC and entitles us to an eventual allocation of public company shares from a SPAC sponsor, if a SPAC successfully completes a business combination. As of December 31, 2022, our investment in the public equity of non-sponsored SPACs, pre-business combination was valued at \$1.1 million as a component of other investments, at fair value, which represents investment in the public equity of five non-sponsored SPACs, pre-business combination. Two of these equity positions, valued at a nominal amount, are in SPACs sponsored by related parties – see notes 4 and 31 to our consolidated financial statements included in this Annual Report on Form 10-K. All five of these publicly traded SPACs have completed an IPO but have not yet consummated a business combination, and none have signed a merger agreement with a potential business combination target.

**Investment in CREO JV.** In September 2021, we co-established and committed to invest up to \$15.0 million in CREO JV. As of December 31, 2022, we had invested \$6.5 million of our \$15.0 million investment commitment, our investment in CREO JV was valued at \$6.6 million, which was included as a component of other investments, at fair value in our consolidated balance sheet, and the NAV of the CREO JV was \$87.8 million.

**Investment in U.S. Insurance JV.** During 2018, we co-established and committed to invest up to \$3.0 million in the U.S. Insurance JV. As of December 31, 2022, we had fulfilled our investment commitment, our investment in the U.S. Insurance JV was valued at \$3.5 million, which was included as a component of other investments, at fair value in our consolidated balance sheet, and the NAV of the U.S. Insurance JV was \$139.6 million.

**Investment in Dutch Real Estate.** In December 2019, we acquired a 45% interest in CK Capital Partners B.V. (“CK Capital”), a private company incorporated in the Netherlands, which provides asset and investment advisory services relating to real estate holdings, as well as a 10% interest in a related real estate holding company. In December 2021, we invested an additional \$2.4 million in the related real estate holding company. As of December 31, 2022, our investment in these Dutch real estate entities was carried at \$5.5 million, \$0.4 million in CK Capital and \$5.1 million in the real estate holding company, which was included as a component of investment in equity method affiliates in our consolidated balance sheet.

**Investment in the SPAC Fund.** In August 2018, we established and invested \$0.6 million in the SPAC Fund. As of December 31, 2022, our investment in the SPAC Fund was valued at \$0.5 million, which was included as a component of other investments, at fair value in our consolidated balance sheet, and the NAV of the SPAC Fund was \$80.9 million.

**Investment in the SPAC Series Funds.** In 2020, as a complement to the SPAC Fund, we established and became the managing member and investment manager to the SPAC Series Funds that issue a separate series for each investment portfolio, which typically consists of investments in the sponsor entities of individual SPACs. As of December 31, 2022, our investment in the SPAC Series Funds was carried at \$2.4 million, which was included as a component of investment in equity method affiliates in our consolidated balance sheet.

**Investment in Stoa USA Inc. / FlipOs.** During 2021 and 2022, we invested an aggregate of \$0.7 million in Stoa USA Inc., a property technology company dedicated to closing the housing gap in America. Its software platform, FlipOs, enables real estate investors to purchase, renovate, and sell homes faster and more efficiently. As of December 31, 2022, our investment in Stoa USA Inc. / FlipOs was valued at \$6.7 million, which was included as a component of other investments, at fair value in our consolidated balance sheet.

**Investment in Other Securities.** We have invested in various original issuance securities that we have originated and certain other securities that we have not originated including private equity, public equity, and real estate loans. As of December 31, 2022, our investments in these other securities were valued at \$1.6 million, which was included as a component of other investments, at fair value, and \$0.6 million, which was included as a component of investment in equity method affiliates, in our consolidated balance sheet.

## Employees

As of December 31, 2022, we employed a total of 121 full time professionals and support staff. This number includes 65 employees of our JVB subsidiary, 9 employees of our CRE Opportunities group, 13 employees of our Principal Investing business segment, 15 employees of our U.S. Asset Management business segment, 6 employees of our European Asset Management business segment, and 13 employees of our support services group. We consider our employee relations to be good and believe that our compensation and employee benefits are competitive with those offered by other financial services firms that we compete with for personnel. None of our employees is subject to any collective bargaining agreements. Our core asset is our professionals, their intellectual capital, and their dedication to providing the highest quality services to our clients. Prior to joining us, members of our management team held positions with other leading financial services firms, accounting firms, law firms, investment firms, or other public companies. Lester R. Brafman, Daniel G. Cohen, and Joseph W. Pooler, Jr. are our executive operating officers, and biographical information relating to each of these officers is incorporated by reference in “Part III — Item 10 — Directors, Executive Officers and Corporate Governance” to the Company’s Proxy Statement, to be filed in connection with the Company’s 2022 Annual Meeting of Stockholders.

## Competition

All areas of our business are intensely competitive, and we expect them to remain so. We believe that the principal factors affecting competition in our business include economic environment, quality and price of our products and services, client relationships, reputation, market focus, and the ability of our professionals.

Our competitors are other public and private asset managers, investment banks, brokerage firms, merchant banks, and financial advisory firms. We compete globally and on a regional, product and niche basis. Many of our competitors have substantially greater capital and resources than we do and offer a broader range of financial products and services. Certain of these competitors continue to raise additional amounts of capital to pursue business strategies that may be similar to ours. Some of these competitors may also have access to liquidity sources that are not available to us, which may pose challenges for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances or make different risk assessments than we do, allowing them to consider a wider variety of investments and establish broader business relationships.

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry, including among many of our former competitors. In particular, a number of large commercial banks have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products than we offer, including loans, deposit taking, and insurance. Many of these firms also offer more comprehensive investment banking services, which may enhance their competitive position. They also have the ability to support investment banking and securities products with commercial banking and other financial services revenue in an effort to gain market share, which could result in pricing pressure in our business. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors.

Competition is intense for the recruitment and retention of experienced and qualified professionals. The success of our business and our ability to continue to compete effectively will depend significantly upon our continued ability to retain and motivate our existing professionals and attract new professionals. We compete, among other factors, on the level and nature of compensation and long-term incentives, workplace culture and opportunities for professional and personal development for our employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees, in each case, at appropriate compensation levels. See “Item 1A — Risk Factors.”

## Regulation

Certain of our subsidiaries, in the ordinary course of their business, are subject to extensive regulation by government and self-regulatory organizations both in the U.S. and abroad. As a matter of public policy, these regulatory bodies are responsible for safeguarding the integrity of the securities and other financial markets. The regulations promulgated by these regulatory bodies are designed primarily to protect the interests of the investing public generally and thus cannot be expected to protect or further the interests of our company or our stockholders and may have the effect of limiting or curtailing our activities, including activities that might be profitable.

As of December 31, 2022, our regulated subsidiaries include: JVB, a registered broker-dealer regulated by FINRA and subject to oversight by the U.S. Securities and Exchange Commission (the “SEC”); CCFESA, a French company regulated by the French Prudential Supervision and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution*, the “ACPR”); and CCFM and DCM, each of which is a registered investment adviser regulated by the SEC under the Investment Advisers Act. Since our inception, our businesses have been operated within a legal and regulatory framework that is constantly developing and changing, requiring us to be able to monitor and comply with a broad range of legal and regulatory developments that affect our activities.

Certain of our businesses are also subject to compliance with laws and regulations of U.S. federal and state governments, foreign governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information and any failure to comply with these regulations could expose us to liability and/or reputational damage. Additional legislation, changes in rules promulgated by financial authorities and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the U.S. or abroad, may directly affect our mode of operation and profitability.

The U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct periodic examinations and initiate administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders, and/or the suspension or expulsion of a broker-dealer or its directors, officers, or employees. See “Item 1A — Risk Factors” beginning on page 17.

U.S. Regulation. As of December 31, 2022, JVB was registered as a broker-dealer with the SEC and was a member of and regulated by FINRA. JVB is subject to the regulations of FINRA and industry standards of practice that cover many aspects of its business, including initial licensing requirements, sales and trading practices, relationships with customers (including the handling of cash and margin accounts), capital structure, capital requirements, record-keeping and reporting procedures, experience and training requirements for certain employees, and supervision of the conduct of affiliated persons, including directors, officers, and employees. FINRA has the power to expel, fine, and otherwise discipline member firms and their employees for violations of these rules and regulations. JVB is also registered as a broker-dealer in certain states, requiring us to comply with the laws, rules, and regulations of each state in which JVB is registered. Each state may revoke the registration to conduct a securities business in that state and may fine or otherwise discipline broker-dealers and their employees for failure to comply with such state's laws, rules, and regulations.

The SEC, FINRA, and various other regulatory agencies within and outside of the U.S. have stringent rules and regulations with respect to the maintenance of specific levels of net capital by regulated entities. Generally, a broker-dealer's net capital is net worth plus qualified subordinated debt less deductions for certain types of assets. The net capital rule under the Exchange Act requires that at least a minimum part of a broker-dealer's assets be maintained in a relatively liquid form. The SEC and FINRA impose rules that require notification when net capital falls below certain predefined criteria. These rules also dictate the ratio of debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. If a firm fails to maintain the required net capital, it may be subject to suspension or revocation of registration by the applicable regulatory agency, and suspension or expulsion by these regulators could ultimately lead to a firm's liquidation. Additionally, the net capital rule under the Exchange Act and certain FINRA rules impose requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC and FINRA for certain capital withdrawals.

If these net capital rules are changed or expanded, or if there is an unusually large charge against our net capital, our operations that require the intensive use of capital would be limited. A large operating loss or charge against our net capital could adversely affect our ability to expand or even maintain current levels of business, which could have a material adverse effect on our business and financial condition.

Our investment adviser subsidiaries, CCFM and DCM, are registered with the SEC as investment advisers and are subject to the rules and regulations of the Investment Advisers Act. The Investment Advisers Act imposes numerous obligations on registered investment advisers including record-keeping, operational and marketing requirements, disclosure obligations, limitations on principal transactions between an adviser and its affiliates and advisory clients, and prohibitions on fraudulent activities. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from fines and censure to termination of an investment adviser's registration. Investment advisers are also subject to certain state securities laws and regulations.

We are also subject to the U.S.A PATRIOT Act of 2001 (the "Patriot Act"), which imposes obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence, customer verification, and other compliance policies and procedures. These regulations require certain disclosures by, and restrict the activities of, broker-dealers, among others. Failure to comply with these new requirements may result in monetary, regulatory and, in the case of the Patriot Act, criminal penalties.

In July 2010, the federal government passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act significantly restructures and intensifies regulation in the financial services industry, with provisions that include, among other things, the creation of a new systemic risk oversight body (*i.e.*, the Financial Stability Oversight Council), expansion of the authority of existing regulators, increased regulation of and restrictions on OTC derivatives markets and transactions, broadening of the reporting and regulation of executive compensation, expansion of the standards for market participants in dealing with clients and customers, and regulation of fiduciary duties owed by municipal advisors or conduit borrowers of municipal securities. In addition, Section 619 of the Dodd-Frank Act (known as the "Volker Rule") and section 716 of the Dodd-Frank Act (known as the "swaps push-out rule") limit proprietary trading of certain securities and swaps by certain banking entities. Although we are not a banking entity and are not otherwise subject to these rules, some of our clients and many of our counterparties are banks or entities affiliated with banks and will be subject to these restrictions. These sections of the Dodd-Frank Act and the regulations that are adopted to implement them could negatively affect the swaps and securities markets by reducing their depth and liquidity and thereby affect pricing in these markets. Further, the Dodd-Frank Act as a whole and the intensified regulatory environment will likely alter certain business practices and change the competitive landscape of the financial services industry, which may have an adverse effect on our business, financial condition, and results of operations. To date, we have adapted successfully to the applicable legislative and regulatory requirements of Dodd-Frank.

In June 2018, in response to the uncertainty surrounding Brexit, we created a new subsidiary, Cohen & Company Financial (Europe) Limited ("CCFEL") in Ireland, for the purpose of seeking to become regulated to perform asset management and capital markets activities in Ireland and the European Union. In April 2019, CCFEL received authorization from the CBI under the European Union (Markets in Financial Instruments) Regulations 2017 to provide Financial Instruments. The services for which CCFEL received authorization include the receipt and transmission of orders in relation to Financial Instruments, the execution of orders on behalf of clients, portfolio management, investment advice and investment research, and financial analysis. In addition, CCFEL applied for approval of a French branch, which approval was granted by the CBI and the branch was authorized by the French regulators in April 2019. Following authorization of the French Branch of CCFEL, various contracts originally entered into by Cohen & Company Financial Limited ("CCFL"), formerly regulated by the Financial Conduct Authority in the United Kingdom, were novated to the French Branch of CCFEL. The novation of contracts was completed on July 1, 2019. In order to finalize our Brexit plans and to increase the efficiency of our activity in Europe (and as all the regulated activity of CCFEL was carried out by its French branch), we later created a new subsidiary, CCFESA, in France, for the purpose of taking over our regulated European activities under one regulated entity. In October 2021, CCFESA received authorization from the ACPR to act as Investment Firm under the European Union (Markets in Financial Instruments) Regulations 2017 to provide Financial Instruments. The services for which CCFESA received authorization include the receipt and transmission of orders in relation to Financial Instruments, the execution of orders on behalf of clients, portfolio management, investment advice and investment research, and financial analysis. Following authorization of CCFESA, various contracts originally entered into by CCFL and CCFEL were novated to CCFESA. The novation of contracts was completed on November 1, 2021. Further to such novation, both CCFL and CCFEL have stopped carrying out any regulated activity and are in the process of liquidating.



**French Regulation.** Our French subsidiary, Cohen & Company Financial (Europe) S.A. (“CCFESA”) is an investment services provider authorized and regulated by the French Prudential Supervision and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution*, the “ACPR”). CCFESA is subject to the ACPR’s rules and guidance, but also to the rules of the French Financial Markets Authority (*Autorité des Marchés Financiers*, the “AMF”) and the relevant provisions of the French Monetary and Financial Code and the AMF’s general regulations. CCFESA’s license by the ACPR covers the following activities: (1) order reception and transmission for third parties; (2) order execution for third parties; (3) investment advice; and (4) portfolio management for third parties; it can also carry out research and financial analysis. An overview of key aspects of France’s regulatory regime, which apply to CCFESA, is set out below.

**Ongoing regulatory obligations.** As a French regulated entity, CCFESA is subject to ongoing regulatory obligations, which cover the following wide-ranging aspects of its business. The ACPR sets conditions that all French authorized investment firms, including CCFESA, must satisfy in order to become and remain authorized by the ACPR. These relate to the firm’s initial capital and appropriate financial resources for the proposed activities, the identity and status of direct and indirect shareholders, a management that has the knowledge, experience and fitness of investment firms and is located in France and has a program of operations for each of the proposed services approved by the AMF.

CCFESA is expected to comply with the ACPR’s regulatory frameworks. Consequently, the ACPR imposes overarching responsibilities on the directors and senior management of a regulated firm. Key requirements in this context include the need to have adequate systems and controls in relation to: (1) senior management arrangements and general organizational requirements; (2) compliance, internal audit, and financial crime prevention; (3) outsourcing; (4) record keeping; (5) risk management; and (6) managing conflicts of interest.

CCFESA permitted activity is to deal only with eligible counterparties and professional clients as defined under Schedule 2 of the MIFID II Regulations in relation to the regulated activities it conducts. The level with which CCFESA must comply is dependent on the categorization of its clients, which should be considered in the context of the regulated activity being performed. These rules include requirements relating to the type and level of information that must be provided to clients before business is conducted with or for them, the regulation of financial promotions, procedures for entering into client agreements, obligations relating to the suitability and appropriateness of investments, and rules about managing investments and reporting to clients.

**Reporting.** All authorized firms in France are required to report to the ACPR and to the AMF on a periodic basis. CCFESA’s reporting requirements are based on the scope of its license. The ACPR will use the information submitted by CCFESA to monitor it on an ongoing basis. There are also high-level reporting obligations, whereby CCFESA is required to engage with the AMF in an open and co-operative way and to disclose appropriately anything relating to its activity and which would affect its business plan, activity or any relevant information submitted to the regulators in the context of its license application.

**Enforcement powers.** The ACPR has a wide range of disciplinary and enforcement tools that it can use should a regulated firm fail to comply with its regulatory obligations. However, this primary jurisdiction does not exclude that of the AMF with regard more specifically to any failure by persons placed under its supervision (and therefore within investment firms) to fulfil their professional obligations. In addition, the AMF has the option of delegating its power of control, in particular to market operators and clearing houses and to the ACPR. For its part, the ACPR can also delegate its power of control, in particular to the AMF.

A wide range of tools can be used to take action against regulated entities and/or individuals which fall short of our expected standards of behavior including:

- issuance of a warning
- issuance of a rebuke
- prohibition, for a maximum period of 10 years, from carrying out certain operations and any other limitations in the exercise of its activity
- temporary suspension or compulsory resignation, for a maximum period of 10 years, of one or more managers, with or without the appointment of a provisional administrator
- partial or total withdrawal of approval or removal from the list of authorized persons, with or without the appointment of a liquidator
- temporary or definitive withdrawal of the professional card, temporary ban on trading for their own account, temporary or definitive ban on the exercise of all or part of the activities or the exercise of management functions within the relevant entity;
- imposition of a fine.

With regard to the pecuniary sanctions which may be imposed by the ACPR and/or the AMF instead of or in addition to the aforementioned sanctions, such fines cannot exceed 100 million euros (or ten times the amount of the benefit derived from such breach if this can be determined) or 15% of net annual turnover for breaches specifically referred to in the French Monetary and Financial Code. Fines issued against individuals under the authority or acting on behalf of an investment firm cannot exceed 15 million euros (or ten times the amount of the benefit derived from the breach if this can be determined).

In addition to the general sanctions regime as described above, a specific regime is provided for breaches of the provisions of the Capital Requirement (CRR) Regulation and the Capital Requirement Directive IV (CRD), which establish in particular the capital and liquidity requirements, as well as the rules of governance to which investment firms are subject.

**Financial Resources.** As part of the firm regulatory requirements under the ACPR it must maintain adequate financial resources as set out in the European Union Regulation (EU) 2019/2033, also known as the Investment Firms Regulation (IFR), and Directive (EU) 2019/2034, also known as the Investment Firms Directive (IFD). The IFR and the IFD apply to investment firms deemed sufficiently small and non-interconnected (so called “class 3” firms); “Class 3” firms are subject to lighter requirements; specifically, the capital requirement for a class 3 firm is equal to the higher of (1) €75k of permanent minimum capital requirement (PMR); or (2) a quarter of its fixed overheads requirements. CCFESA is classified as a class 3 firm. This means that it would be subject to a base regulatory tangible capital requirement of €480k. In addition, this base capital will be reviewed on an annual basis. The Company’s capital will also be reviewed in the event of a material change in the Company’s business since the preceding year.

**Anti-money Laundering Requirements.** A French financial institution is subject to additional client acceptance requirements, which stem from anti-money laundering and terrorist financing legislation that requires a firm to identify its clients before conducting business with or for them and to retain appropriate documentary evidence of this process. Relevant anti-money laundering legislation in France is derived from EU Directives and more particularly EU Directive 2015/849 of 20 May 2015 (also known as the “Fourth Directive”) and EU Directive 2018/843 of 30 May 2018 (also known as the “Fifth Directive”). The fight against money laundering and terrorist financing (AML-CFT) is one of the AMF’s main supervisory priorities. The ACPR is also responsible for protecting the customers of the supervised institutions and ensuring the fight against money laundering and the financing of terrorism. It also has resolution powers.

The obligations derived from the Fourth Directive were implemented into the French Monetary and Financial Code and include:

- Risk assessment
- Identification and verification of the identity of clients and their beneficial owners
- Due diligence measures upon entry and throughout the business relation
- Obligation to file suspicious transaction reports to TRACFIN
- Internal audit and reporting to the AMF
- Implementation of asset freezing measures

The Fifth Directive has been implemented into French law at the beginning of 2020. It sets out a series of measures to fight against terrorist financing more effectively and guarantee improved transparency of financial transactions.

*Changes in Existing Laws and Rules.* Additional legislation and regulations, changes in rules promulgated by the government regulatory bodies, or changes in the interpretation or enforcement of laws and regulations may directly affect the manner of our operation, our net capital requirements, or our profitability. In addition, any expansion of our activities into new areas may subject us to additional regulatory requirements that could adversely affect our business, reputation, and results of operations.

#### *Available Information*

On our internet website address at [www.cohenandcompany.com](http://www.cohenandcompany.com), we make available, free of charge, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and any amendments to those reports that we file or furnish pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such information with, or furnish such information to, the SEC. Copies of such reports and other information are also available at no charge to any person who requests them at Cohen & Company, Attention: Investor Relations, 2929 Arch Street, 17th Floor, Philadelphia, PA 19104-2870 (Telephone: (215) 701-8952).

Our filings can also be obtained for free on the SEC's Internet site at <http://www.sec.gov>. The reference to our website address does not constitute incorporation by reference of the information contained on our website in this filing or in other filings with the SEC, and the information contained on our website is not part of this filing.



## ITEM 1A. RISK FACTORS.

You should carefully consider the risks and uncertainties described below and elsewhere in this Annual Report on Form 10-K. If any of these risks actually occur, our business, financial condition, liquidity and results of operations could be adversely affected. The risks and uncertainties described below constitute all of the material risks of the Company of which we are currently aware; however, the risks and uncertainties described below may not be the only risks the Company will face. Additional risks and uncertainties of which we are presently unaware, or that we do not currently deem to be material, may become important factors that affect us and could materially and adversely affect our business, financial condition, results of operations and the trading price of our securities. Investing in the Company's securities involves risk and the following risk factors, together with the other information contained in this report and the other reports and documents filed by us with the SEC, including Forms ADV filed by CCFM and DCM, should be considered carefully.

### Summary of Risk Factors

*The following summary highlights some of the principal risks that could adversely affect our business, financial condition or results of operations. This summary is not complete and the risks summarized below are not the only risks we face.*

#### Risks Related to Our Business and Our Industry:

- Difficult market conditions have adversely affected our business and may continue to do so.
- Economic slowdown, market volatility, a recession and increasing interest rates may impair investments and operating results.
- We may experience write downs of financial instruments and other losses due to the volatile and illiquid market conditions.
- We have incurred losses for certain periods covered by this report and in the recent past and may incur losses in the future.
- Continued difficulties in our Capital Markets segment due to intense competition has resulted in significant strain on our administrative, operational and financial resources and these difficulties may continue in the future.
- The incurrence of additional debt could adversely effect on our financial condition and results of operation.
- Our gestation repo business serves a narrow market and is likely subject to highly volatile demand.
- Our mortgage group's revenue is highly dependent on the U.S. housing market, generally.
- Our matched book repo financing is facilitated through JVB which is subject to various broker-dealer regulations.
- We may not be successful in achieving our strategic goals with respect to our matched book repo business.
- Our Capital Markets segment depends significantly on a limited group of customers.
- Failure to retain senior management and qualified personnel may result in our not being able to execute our business strategy.
- Payment of severance could strain our cash flow.
- If additional cash is not available, our business and financial performance will be significantly harmed.
- Failure to obtain or maintain adequate capital and funding would adversely affect the growth and results of our operations.
- The lack of liquidity in certain investments may adversely affect our business, financial condition and results of operations.
- If we are unable to manage the risks of international operations effectively, our business could be adversely affected.
- The securities settlement process exposes us to risks that may adversely affect our business.
- We are exposed to the risk that third parties that are indebted to us will not perform their obligations.
- We are exposed to various risks related to margin requirements under repurchase agreements and securities financing arrangements and are highly dependent on our clearing relationships.
- We have market risk exposure from unmatched principal transactions entered into by our brokerage desks.
- Pricing and other competitive pressures may impair the revenues and profitability of our brokerage business.
- Increase in capital commitments in our trading business increases the potential for significant losses.
- Our principal trading and investments expose us to risk of loss.
- Our principal investments are subject to various risks and expose us to a significant risk of capital loss.
- Transition away from LIBOR may adversely affect our business.
- Historical returns of our funds and managed accounts may not be indicative of their future results.
- There is increasing regulatory supervision of alternative asset management companies.
- Asset management clients generally may redeem their investments, which could reduce our asset management fee revenues.
- The investment management business is intensely competitive, which could have a material adverse impact on our business.
- Poor performance of our investment funds' and separately managed accounts' investments could result in a decline in our asset management revenue and earnings and investors terminating our management agreements.
- If the investments we have made on behalf of our CDOs perform poorly, we will suffer a decline in our asset management revenue and earnings and the investors in our CDOs may seek to terminate our management agreements.
- Our investments in SPAC Sponsor Entities are speculative, subject to total loss, and illiquid prior to business combination.
- Our investments in post-business combination SPACs are carried at fair value but are subject to sale restrictions which could result in significant losses to our business.
- Our strategic relationship with Cohen Circle, LLC ("Cohen Circle"), formerly Fintech Masala, LLC could result in conflicts of interest and a termination of such relationship could result in losses to our business.
- Our management may allocate some portion of their time to the business of the SPAC, which may create conflicts of interest.
- Any agreement to indemnify a SPAC against certain claims could negatively affect our financial results.
- We may make future loans to SPACs which may not be repaid.
- If our risk management systems for our businesses are ineffective, we may be exposed to material unanticipated losses.
- Failures in our information and communications systems could significantly disrupt our business.
- We may not be able to keep pace with continuing changes in technology.
- Failure to protect client data or prevent breaches of our information systems could expose us to liability/reputational damage.
- We are largely dependent on Pershing LLC to provide clearing services and margin financing.
- Our substantial level of indebtedness could adversely affect our financial health and ability to compete.
- Changes in accounting interpretations or assumptions could adversely impact our financial statements.
- Any change of our investment strategy, hedging strategy, asset allocation and operational policies may result in riskier investments and adversely affect the market value of our Common Stock.
- Maintenance of our Investment Company Act exemption imposes limits on our operations.
- The soundness of other financial institutions and intermediaries affects us.

- We operate in a highly regulated industry and may face increasing restrictions on, and examination of, the conduct of our operations.
- Substantial legal liability or significant regulatory action could materially affect our business.
- Highly competitive markets could have a material effect on our business.
- Employee misconduct or error could harm our business.
- We operate in a highly regulated industry and may face increasing restrictions on, and examination of, the conduct of our operations.
- Substantial legal liability or significant regulatory action could materially affect our business.
- Highly competitive markets could have a material adverse effect on our business.
- Employee misconduct or error could harm our business.

Risks Related to Our Organizational Structure and Ownership of Our Common Stock:

- We are dependent on distributions from the Operating LLC as a holding company.
- Daniel G. Cohen's significant ownership interests in the Operating LLC and other entities could create conflicts of interest.
- As a "controlled company," our other stockholders may lose certain corporate governance protections.
- Redemptions of our outstanding LLC Units may cause substantial dilution to our existing stockholders.
- We may not fully realize our deferred tax asset.
- The Maryland General Corporation Law and our charter and bylaws may prevent potentially beneficial takeover attempts.

Risks Related to General and Global Factors:

- The COVID-19 pandemic has caused severe disruptions in the U.S. and global economy and is expected to continue to impact our business, financial condition and results of operations.
- We may incur losses as a result of unforeseen events, including further spread of the COVID-19 pandemic, cybersecurity incidents and events, terrorist attacks, climate-related incidents, or other natural disasters.
- We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.
- If we fail to maintain effective internal control over financial reporting and disclosure controls and procedures in the future, we may not be able to accurately report our financial results, which could have an adverse effect on our business.
- Future sales of our Common Stock could lower the price of our Common Stock and harm our future securities offerings.
- Our stockholders' percentage ownership in the Company may be diluted in the future.
- If we fail to control our costs effectively, our business could be disrupted and adversely affected.
- We may need to offer new investment strategies and products in order to continue to generate revenue.
- Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our business.
- Insurance may be inadequate to cover risks facing the Company.
- We depend on third-party software licenses and the loss of key licenses could adversely affect our brokerage services.
- Failure to maintain effective internal control over financial reporting and disclosure controls could harm our business.
- The market price of our Common Stock may be volatile and may be affected by market conditions beyond our control.
- Our Common Stock may be delisted, which may have a material adverse effect on the liquidity and our Common Stock value.

## ***Risks Related to Our Business and Our Industry***

***Difficult market conditions have adversely affected our business in many ways and may continue to adversely affect our business in a manner which could materially reduce our revenues.***

Our business has been and may continue to be materially affected by conditions in the global financial markets and economic conditions. The financial markets continue to be volatile and continue to present many challenges such as the level and volatility of interest rates, investor sentiment, the availability and cost of credit, the status of the U.S. mortgage and real estate markets, consumer confidence, unemployment and geopolitical issues.

Global economic conditions and global financial markets remain vulnerable to the potential risks posed by certain events, which could include, among other things, level and volatility of interest rates, economic growth or its sustainability, unforeseen changes to gross domestic product, inflation, fluctuations or other changes in both debt and equity capital markets and currencies, political and financial uncertainty in the United States and the European Union, ongoing concern about Asia's economies, global supply disruptions, complications involving terrorism and armed conflicts around the world (including the conflict between Russia and Ukraine), or other challenges to global trade or travel, such as those that have occurred due to the COVID-19 pandemic. More generally, because our business is closely correlated to the general economic outlook, a significant deterioration in that outlook or realization of certain events would likely have an immediate and significant negative impact on our business and overall results of operations.

***A prolonged economic slowdown, volatility in the markets, a recession, and increasing interest rates could impair our investments and harm our operating results.***

Our investments are, and will continue to be, susceptible to economic slowdowns, recessions and rising interest rates, which may lead to financial losses in our investments and a decrease in revenues, net income and asset values. These events may reduce the value of our investments, reduce the number of attractive investment opportunities available to us and harm our operating results, which, in turn, may adversely affect our cash flow from operations.

Our ability to raise capital in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has been and could continue to be adversely affected by conditions in the U.S. and international markets and the economy. Global market and economic conditions have been, and continue to be, disrupted and volatile. In particular, the cost and availability of funding have been and may continue to be adversely affected by illiquid credit markets and wider credit spreads and volatility of interest rates (including overnight repo). As a result of concern about the stability of the markets generally and the strength of counterparties specifically, many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers. Continued turbulence in the U.S. and international markets and economy may adversely affect our liquidity and financial condition and the willingness of certain counterparties to do business with us.

In addition, global macroeconomic conditions and U.S. financial markets remain vulnerable to the potential risks posed by exogenous shocks, which could include, among other things, political and financial uncertainty in the U.S. and the European Union (the "EU"), continued spread of the global novel coronavirus ("COVID-19") pandemic, renewed concern about China's economy, cybersecurity incidents and events, climate-related incidents, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel. More generally, because our business is closely correlated to the macroeconomic outlook, a significant deterioration in that outlook or an exogenous shock would likely have an immediate negative impact on our overall results of operations.

***We may experience write downs of financial instruments and other losses related to the volatile and illiquid market conditions.***

The credit markets in the U.S. experienced significant disruption and volatility from mid-2007 through early 2009, and challenging conditions have continued since that time. Although financial markets have become more stable, there remains a certain degree of uncertainty about a global economic recovery. Available liquidity also declined precipitously during the credit crisis and remains significantly depressed. The disruption in these markets generally, and in the U.S. and European markets in particular, impacted and may continue to impact our business. We have exposure to these markets and products, and if market conditions continue to worsen, the fair value of our investments and our management fees could further deteriorate. In addition, market volatility, illiquid market conditions and disruptions in the global credit markets have made it extremely difficult to value certain of our securities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities, and when such securities are sold, it may be at a price materially lower than the current fair value. Any of these factors could require us to take further write downs in the fair value of our investment portfolio or cause our management fees to decline, which may have an adverse effect on our results of operations in future periods.

***We have incurred losses for certain periods covered by this report and in the recent past and may incur losses in the future.***

The Company recorded net loss of \$58.7 million for the year ended December 31, 2022. We may incur additional losses in future periods. If we are unable to finance future losses, those losses may have a significant effect on our liquidity as well as our ability to operate our business.

In addition, the Company has incurred and may continue to incur significant expenses in connection with initiating new business activities or in connection with any expansion or reorganization of our businesses. We may also engage in strategic acquisitions and investments for which we may incur significant expenses. Accordingly, we may need to increase our revenue at a rate greater than our expenses in order to achieve and maintain our profitability. If our revenue does not increase sufficiently, or even if our revenue does increase but we are unable to manage our expenses, we will not achieve and maintain profitability in future periods.

***We have experienced difficulties in our Capital Markets segment over the past several years due to intense competition in our industry, which has resulted in significant strain on our administrative, operational and financial resources. These difficulties may continue in the future.***

The financial services industry and all of our businesses are intensely competitive, and we expect them to remain so. We compete with commercial banks, brokerage firms, insurance companies, sponsors of mutual funds, hedge funds and other companies offering financial services in the U.S., globally, and through the internet. We compete on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, reputation, risk appetite and price. Over time, certain sectors of the financial services industry have become more concentrated as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater capital and other resources such as a broader range of products and services and geographic diversity. We have experienced and may continue to experience pricing pressures in our Capital Markets segment as a result of these factors and as some of our competitors may seek to increase market share by reducing prices.

Both margins and volumes in certain products and markets within the fixed income brokerage business have decreased materially as competition has increased and general market activity has declined. Further, we expect that competition will increase over time, resulting in continued margin pressure. These challenges have materially adversely affected our Capital Markets segment's results of operations and may continue to do so.

We intend to focus on improving the performance of our Capital Markets segment, which could place additional demands on our resources and increase our expenses. Improving the performance of our Capital Markets segment will depend on, among other things, our ability to successfully identify groups and individuals to join our firm and our ability to successfully grow our existing business lines and platforms and opportunistically expand into other complementary business areas. It may take more than a year for us to determine whether we have successfully integrated new individuals, lines of business and capabilities into our operations. During that time, we may incur significant expenses and expend significant time and resources toward training, integration and business development. If we are unable to hire and retain senior management or other qualified personnel, such as salespeople and traders, we will not be able to grow our business and our financial results may be materially and adversely affected.

There can be no assurance that we will be able to successfully improve the operations of our Capital Markets segment, and any failure to do so could have a material adverse effect on our ability to generate revenue and control expenses.

***Our gestation repo business serves a narrow market and is likely subject to highly volatile demand.***

We operate a matched gestation repo program. Gestation repo involves entering into repo and reverse repo where the underlying collateral security represents a pool of newly issued mortgages. Our reverse repo counterparties are mortgage originators. This type of financing would only be of interest to mortgage originators. Therefore, demand for gestation repo financing is narrow and volumes will therefore be more volatile.

***Mortgage and U.S. Housing Market-Related Risks***

In recent years, our mortgage group has become an increasingly important component of our Capital Markets segment and the Company overall. The mortgage group primarily earns revenue by providing hedging execution, securities financing, and trade execution services to mortgage originators and other investors in mortgage backed securities. Therefore, this group's revenue is highly dependent on the volume of mortgage originations in the U.S. Origination activity is highly sensitive to interest rates, the U.S. job market, housing starts, sale activity of existing housing stock, as well as the general health of the U.S. economy. In addition, any new regulation that impacts U.S. government agency mortgage backed security issuance activity, residential mortgage underwriting standards, or otherwise impacts mortgage originators will impact our business. We have no control over these external factors and there is no effective way for us to hedge against these risks. Our mortgage group's volumes and profitability will be highly impacted by these external factors.

***Our Capital Markets segment depends significantly on a limited group of customers.***

From time to time, based on market conditions, a small number of our customers may account for a significant portion of the revenues earned in our Capital Markets segment. None of our customers is obligated contractually to use our services. Accordingly, these customers may direct their activities to other firms at any time. The loss of or a significant reduction in demand for our services from any of these customers could have a material adverse effect on our business, financial condition and operating results.

***If we do not retain our senior management and continue to attract and retain qualified personnel, we may not be able to execute our business strategy.***

The members of our senior management team have extensive experience in the financial services industry. Their reputations and relationships with investors, financing sources and members of the business community in our industry, among others, are critical elements in operating and expanding our business. As a result, the loss of the services of one or more members of our senior management team could impair our ability to execute our business strategies, which could hinder our ability to achieve and sustain profitability. The Company has various employment arrangements with the members of its senior management team, but there can be no assurance that the terms of these employment arrangements will provide sufficient incentives for each of the members of the senior management team to continue employment with us.

We depend on the diligence, experience, skill and network of business contacts of our senior management team and our employees in connection with (1) our Capital Markets segment, (2) our asset management operations, (3) our investment activities, (4) the evaluation, negotiation, structuring and management of new business opportunities, and (5) our SPAC franchise, including our investments in SPACs and SPAC sponsors and our serving as the asset manager for certain SPAC Funds. Our business depends on the expertise of our personnel and their ability to work together as an effective team and our success depends substantially on our ability to attract and retain qualified personnel. Competition for employees with the necessary qualifications is intense, and we may not be successful in our efforts to recruit and retain the required personnel. The inability to recruit and retain qualified personnel could affect our ability to provide an acceptable level of service to our clients and funds, attract new clients, and develop new lines of business, each of which could have a material adverse effect on our business.

***Payment of severance could strain our cash flow.***

Certain members of our senior management team have agreements that provide for substantial severance payments. Should several of these senior managers leave our employ under circumstances entitling them to severance, or become disabled or die, the need to pay these severance benefits could put a strain on our cash flow.

***Our business will require a significant amount of cash, and if it is not available, our business and financial performance will be significantly harmed.***

We require a substantial amount of cash to fund our investments, pay our expenses and hold our assets. More specifically, we require cash to:

- meet our working capital requirements and debt service obligations;
- make incremental investments in our Capital Markets segment;
- make investments in our growing asset management business;
- make investments supporting our SPAC franchise, including in pre- and post-business combination SPAC public companies and in SPAC sponsor entities;
- hire new employees; and
- meet other needs.

Our primary sources of working capital and cash are expected to consist of:

- revenue from operations, including net trading revenue, asset management revenue, new issue and advisory revenue, interest income and dividends from our investment portfolio and potential monetization of principal investments;
- interest income from temporary investments and cash equivalents;
- sales of assets; and
- proceeds from future borrowings or any offerings of our equity or debt securities.

We may not be able to generate a sufficient amount of cash from operations and investing and financing activities in order to successfully execute our business strategy.

***Failure to obtain or maintain adequate capital and funding would adversely affect the growth and results of our operations and may, in turn, negatively affect the market price of our Common Stock.***

Liquidity is essential to our businesses. We depend upon the availability of adequate funding and capital for our operations. In particular, we may need to raise additional capital in order to significantly grow our business. In recent years, we have engaged in a number of capital raising transactions with Daniel G. Cohen, the Executive Chairman of the Board, and/or persons or entities controlled by or close to Mr. Cohen because the terms of such transactions have been more favorable than terms available from unrelated third parties. Our liquidity could be substantially adversely affected by our inability to raise funding in the long-term or short-term debt capital markets or the equity capital markets or our inability to access the secured lending markets. Factors that we cannot control, such as continued or additional disruption of the financial markets, or negative views about the financial services industry generally, have limited and may continue to limit our ability to raise capital. In addition, our ability to raise capital could be impaired if lenders develop a negative perception of our long-term or short-term financial prospects or if Mr. Cohen becomes unwilling to continue to fund the Company's operations. Lenders could develop negative perceptions if we incur large trading losses, we suffer a decline in the level of our business activity, we suffer material litigation losses, regulatory authorities take significant action against us, or we discover significant employee misconduct or illegal activity, among other reasons. Sufficient funding or capital may not be available to us in the future on terms that are acceptable, or at all. If we are unable to raise funding using the methods described above, we would likely need to finance or liquidate unencumbered assets, such as our investment and trading portfolios, in order to meet our maturing liabilities. We may be unable to sell some of our assets, or we may have to sell assets at a discount from market value, either of which could adversely affect our results of operations and cash flows. If we are unable to meet our funding needs on a timely basis, our business would be adversely affected and there may be a negative impact on the market price of our Common Stock.

***Our investments in the equity interests of SPACs and SPAC Sponsor Entities may expose us to increased risks and liabilities.***

We have and may continue to invest in the equity interests of SPACs and SPAC sponsor entities, including SPACs sponsored by us, our affiliates, and third parties. There are numerous risks associated with investing in the equity interests of SPACs and SPAC sponsor entities, including: (i) because a SPAC is raised without a specifically-identified acquisition target, it may never, or only after an extended period of time, be able to find and execute a suitable business combination, during which period the capital which we have invested in or committed to the SPAC will not be available to us for other uses; (ii) investments made by us in a SPAC and SPAC sponsor entities may be entirely lost or otherwise decline in value if the SPAC does not timely execute a business combination; (iii) SPACs typically invest in single assets and not diversified portfolios, and investments therein are therefore subject to significant concentration risk; (iv) SPACs incur substantial fees, costs and expenses related to their initial public offerings, being a public company and in connection with pursuing a business combination (in some cases, regardless of whether, or when, the SPAC ultimately consummates a business transaction); and (v) there remains substantial uncertainty regarding the viability of SPAC investing on a large scale, the supply of desirable transactions and whether regulatory, tax or other authorities will implement additional or adverse policies relating to SPACs and SPAC investing. We expect regulatory scrutiny of SPACs and other blank check companies to continue to increase and the regulations regarding SPACs may change. Our investments in the equity interests of SPACs and SPAC sponsor entities may also subject us to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of SPAC Funds, public investors in SPACs and a variety of other potential litigants. Any losses relating to these developments could adversely impact our business, results of operations and financial condition, as well as harm our professional reputation.

***Our investments in SPAC Sponsor Entities are highly speculative, subject to total loss, and completely illiquid prior to business combination.***

The Company has invested in the sponsor entities of SPACs and these investments are highly speculative. Generally, SPAC sponsor entities are LLC's that pool their members' interests and invest in the private placement of a SPAC. The SPAC will also raise funds in a public offering and seek to complete a business combination within an agreed upon timeframe. The SPAC will use the proceeds of the private placement to pay transaction and operating expenses during the period it is seeking a business combination. The proceeds of the public offering are placed in an interest-bearing trust and can only be used to complete the business combination. Typically, the public investors must approve any business combination prior to its effectiveness. If a business combination is not completed within the agreed upon timeframe, the SPAC will liquidate and return the funds to the public investors. If there are funds remaining after liquidation, the sponsor entities may receive some portion of their investment back, but will likely suffer a total loss of investment. Accordingly, our investments in SPAC sponsor entities is subject to a total loss of our investment and such losses may adversely affect our business, financial condition and results of operations.

During the period prior to the distribution of our interests in the SPAC sponsor entity, the Company includes its investment as a component of investment in equity method affiliates. As of December 31, 2022, of the Company's \$8.9 million balance of investment in equity method affiliates, \$3.4 million represents direct or indirect investments in SPAC sponsor entities. These investments are subject to transfer restrictions (as described in greater detail below), are completely illiquid and could be worthless if the underlying sponsor entities liquidate without completing a business combination.

***Our investments in post-business combination SPACs are carried at fair value but are subject to sale restrictions which could result in significant losses to our business.***

We hold securities in public companies that were merger partners with the SPACs in which we invested or sponsored and we intend to continue to invest in SPACs and SPAC sponsor entities in the future. A significant portion of the securities in the post-business combination SPACs are and will be restricted for sale and may require the securities to trade above a certain price level for a certain period of time prior to becoming transferable. It is possible that the securities which we hold in post-business combination SPACs never trade at the applicable price levels for the requisite period of time and, in turn, the transfer restrictions thereon are never lifted. In such event, such restricted securities may be completely illiquid and this could significantly reduce their value, if not render them completely worthless. Further, investments in post-business combination SPAC securities may not be transferable until such securities are registered for sale with the SEC. The Company could suffer significant mark-to-market losses on these restricted securities prior to being able to sell them. In some cases, we hedge these positions by entering into short options trades on the underlying unrestricted equity. However, we are limited in our ability to enter into these because of capital and financing requirements associated with such trades.

As of December 31, 2022, of our \$28.0 million reported as other investments, at fair value, \$3.1 million represented restricted shares of post-business combination SPACs that were subject to transfer restrictions and could not be sold. If these securities do not trade at the applicable per share price levels for the requisite periods of time and, in turn, the transfer restrictions thereon are never lifted, we could suffer significant losses and these securities could be rendered illiquid and even worthless, which could result in significant harm to our business and results of operations.

***Our strategic relationship with Cohen Circle, LLC ("Cohen Circle") could terminate, which could adversely affect the growth and viability of our SPAC franchise, which, in turn would negatively affect our results of our operations, and our strategic relationship with Cohen Circle could also result in conflicts of interest which could negatively affect our SPAC franchise and our business.***

Cohen Circle, an entity of which Daniel G. Cohen and his mother, Betsy Cohen, are members, is a fintech investing platform and the sponsor of third party SPACs. We have entered into consulting agreements with Cohen Circle pursuant to which Betsy Cohen and other Cohen Circle representatives have provided and will continue to provide consulting services to us regarding our SPAC franchise and the SPAC entities of which we are sponsors. We anticipate that we will continue to enter into consulting arrangements with Cohen Circle in connection with the SPACs which we sponsor in the future. In the event that our strategic relationship with Cohen Circle is terminated, the loss of the services of Cohen Circle's personnel could significantly impair our SPAC franchise's ability to continue to succeed, which could hinder our ability to achieve and sustain profitability.



In addition, certain of our employees also provide consulting and other SPAC-related services to Cohen Circle pursuant to contractual arrangements with the SPACs of which Cohen Circle is a sponsor. Pursuant to these contractual relationships, our employees may be incentivized to identify and consummate potential SPAC business combinations on behalf of Cohen Circle rather than for us. Further, these contractual relationships could result in our competing with Cohen Circle for potential SPAC business combination targets and other opportunities. All of the foregoing could result in lost opportunities for our SPAC franchise, which could have negative impacts on our SPAC franchise and business as a whole.

***If we are unable to manage the risks of international operations effectively, our business could be adversely affected.***

We currently provide services and products to clients in Europe, through offices in Dublin and Paris. There are certain additional risks inherent in doing business in international markets, particularly in the regulated brokerage and asset management industries. These risks include:

- additional regulatory requirements;
- difficulties in recruiting and retaining personnel and managing the international operations;
- potentially adverse tax consequences, tariffs and other trade barriers;
- adverse labor laws; and
- reduced protection for intellectual property rights.

If we are unable to manage any of these risks effectively, our business could be adversely affected.

In addition, our current international operations expose us to the risk of fluctuations in currency exchange rates generally and fluctuations in the exchange rates for the Euro and the British Pound Sterling in particular. Although we may hedge our foreign currency risk, we may not be able to do so successfully and may incur losses that could adversely affect our financial condition or results of operations.

***The securities settlement process exposes us to risks that may adversely affect our business, financial condition and results of operations.***

We provide brokerage services to our clients in the form of “matched principal transactions” or by providing liquidity by purchasing securities from them on a principal basis. In “matched principal transactions” we act as a “middleman” by serving as a counterparty to both a buyer and a seller in matching reciprocal back-to-back trades. These transactions, which generally involve bonds, are then settled through clearing institutions with which we have a contractual relationship. There is no guarantee that we will be able to maintain existing contractual relationships with clearing institutions on favorable terms or that we will be able to establish relationships with new clearing institutions on favorable terms, or at all.

In executing matched principal transactions, we are exposed to the risk that one of the counterparties to a transaction may fail to fulfill its obligations, either because it is not matched immediately or, even if matched, one party fails to deliver the cash or securities it is obligated to deliver upon settlement. In addition, some of the products we trade or may trade in the future are in less commoditized markets which may exacerbate this risk because transactions in such markets may not settle on a timely basis. Adverse movements in the prices of securities that are the subject of these transactions can increase our risk. In addition, widespread technological or communication failures, as well as actual or perceived credit difficulties, or the insolvency of one or more large or visible market participants, could cause market-wide credit difficulties or other market disruptions. These failures, difficulties or disruptions could result in a large number of market participants not settling transactions or otherwise not performing their obligations.

We are subject to financing risk in these circumstances because if a transaction does not settle on a timely basis, the resulting unmatched position may need to be financed, either directly by us or through one of our clearing organizations at our expense. These charges may not be recoverable from the failing counterparty. Finally, in instances where the unmatched position or failure to deliver is prolonged or widespread due to rapid or widespread declines in liquidity for an instrument, there may also be regulatory capital charges required to be taken by us which, depending on their size and duration, could limit our business flexibility or even force the curtailment of those portions of our business requiring higher levels of capital. Credit or settlement losses of this nature could adversely affect our financial condition or results of operations.

In the process of executing matched principal transactions, miscommunications and other errors by our clients or by us can arise whereby a transaction is not completed with one or more counterparties to the transaction, leaving us with either a long or short unmatched position. If the unmatched position is promptly discovered and there is a prompt disposition of the unmatched position, the risk to us is usually limited. If the discovery of an out trade is delayed, the risk is heightened by the increased possibility of intervening market movements prior to disposition. Although out trades usually become known at the time of, or later on the day of, the trade, it is possible that they may not be discovered until later in the settlement process. When out trades are discovered, our policy will generally be to have the unmatched position disposed of promptly, whether or not this disposition would result in a loss to us. The occurrence of unmatched positions generally rises with increases in the volatility of the market and, depending on their number and amount, such out trades have the potential to have a material adverse effect on our financial condition and results of operations.

From time to time, we may also provide brokerage services in the form of agency transactions. In agency transactions, we charge a commission for connecting buyers and sellers and assisting in the negotiation of the price and other material terms of the transaction. After all material terms of a transaction are agreed upon, we identify the buyer and seller to each other and leave them to settle the trade directly. We are exposed to credit risk for commissions we bill to clients for agency brokerage services.

Participation in matched principal, principal, or agency transactions subjects us to disputes, counterparty credit risk, lack of liquidity, operational failure or other market wide or counterparty specific risks. Any losses arising from such risks could adversely affect our financial condition or results of operations. In addition, the failure of a significant number of counterparties or a counterparty that holds a significant amount of derivatives exposure, or that has significant financial exposure to, or reliance on, the mortgage, asset-backed or related markets, could have a material adverse effect on the trading volume and liquidity in a particular market for which we provide brokerage services or on the broader financial markets.

We have policies and procedures to identify, monitor and manage these risks, through reporting and control procedures and by monitoring credit standards applicable to our clients. These policies and procedures, however, may not be fully effective. Some of our risk management methods will depend upon the evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. That information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. If our policies and procedures are not fully effective or we are not always successful in monitoring or evaluating the risks to which we may be exposed, our financial condition or results of operations could be adversely affected. In addition, we may not be able to obtain insurance to cover all of the types of risks we face and any insurance policies we do obtain may not provide adequate coverage for covered risks.

***We are exposed to the risk that third parties that are indebted to us will not perform their obligations.***

Credit risk refers to the risk of loss arising from borrower, counterparty or obligor default when a borrower, counterparty or obligor does not meet its obligations. We incur significant credit risk exposure through our Capital Markets segment. This risk may arise from a variety of business activities, including but not limited to extending credit to clients through various lending commitments; providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; and posting margin and/or collateral to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties. We incur credit risk in traded securities and loan pools whereby the value of these assets may fluctuate based on realized or expected defaults on the underlying obligations or loans.

There is a possibility that continued difficult economic conditions may further negatively impact our clients and our current credit exposures. Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

***We are exposed to various risks related to margin requirements under repurchase agreements and securities financing arrangements and are highly dependent on our clearing relationships.***

We maintain repurchase agreements with various third-party financial institutions and other counterparties. Under those repurchase agreements we act as both a buyer and a seller of the subject securities. Our business related to these repurchase agreements is predominantly matched, meaning that we do not purchase or sell securities unless there is another institution prepared to simultaneously purchase or sell securities to or from us, as applicable. There are limits to the amount of securities that may be transferred pursuant to these agreements, and available lines both for us and our counterparties for whom we purchase securities are approved on a case-by-case basis after each counterparty has gone through a credit review process. The repurchase agreements we execute with our counterparties include substantive provisions other than those covenants and other customary provisions contained in standard master repurchase agreements. However, while these additional provisions may work to mitigate some of the risks related to repurchase agreement transactions, these additional substantive provisions do not guarantee the performance of a counterparty or alleviate all of the potential risks we could face from entering into repurchase agreement transactions.

The repurchase agreements generally require a seller under a repurchase agreement to transfer additional securities to the counterparty who is acting as the buyer under the repurchase agreement in the event that the value of the securities then held by the buyer falls below specified levels. Each repurchase agreement contains events of default in cases where a counterparty breaches its obligations under the agreement. When we are acting in the capacity of a seller under these agreements, we receive margin calls from time to time in the ordinary course of business, and no assurance can be given that we will be able to satisfy requests from our counterparties to post additional collateral in the future. Similarly, when we are acting in the capacity of a buyer under these agreements we make margin calls from time to time to our seller counterparties in the ordinary course of business and no assurance can be given that our counterparties will have adequate funds or collateral to satisfy such margin call requirements. Generally, if there was an event of default under a repurchase agreement, such event of default would provide the non-defaulting counterparty with the option to terminate all outstanding repurchase transactions with us and make all amounts due from the defaulting counterparty immediately payable. However, there can be no assurance that any such defaulting counterparty will have the funds or collateral needed to fully satisfy any such margin call or other amount due. Generally, repurchase obligations are full recourse obligations and if we were to default under a repurchase obligation, the counterparty would have recourse to our other assets if the collateral was insufficient to satisfy our obligation in full.

In addition, our clearing brokers provide securities financing arrangements including margin arrangements and securities borrowing and lending arrangements. These arrangements generally require us to transfer additional securities or cash to the clearing broker in the event that the value of the securities then held by the clearing broker in the margin account falls below specified levels and contain events of default that would be triggered if we were to breach our obligations under such agreements. An event of default under a clearing agreement would give the clearing broker the option to terminate the clearing arrangement and any amounts owed to the clearing broker would be immediately due and payable. These obligations are full recourse to us.

Furthermore, we are highly dependent on our relationships with our clearing brokers. Any termination of our clearing arrangements whether due to a breach of the agreement by us or a default, bankruptcy or reorganization of a clearing broker would result in a significant disruption to our business as we clear all trades through these entities. Any such termination would have a significant negative impact on our dealings and relationship with our customers and there is no guarantee we would be able to replace any such clearing broker on similar terms.

***We have market risk exposure from unmatched principal transactions entered into by our brokerage desks, which could result in substantial losses to us and adversely affect our financial condition and results of operations.***

We allow certain of our brokerage desks access to limited amounts of capital to enter into unmatched principal transactions in the ordinary course of business for the purpose of facilitating clients' execution needs for transactions initiated by such clients or to add liquidity to certain illiquid markets. As a result, we have market risk exposure on these unmatched principal transactions. Our exposure will vary based on the size of the overall positions, the terms and liquidity of the instruments brokered, and the amount of time the positions will be held before we dispose of the positions.

We do not track our exposure to unmatched positions on an intra-day basis. These unmatched positions are intended to be held short-term, however, due to a number of factors, including the nature of a position and access to the market on which we trade, we may not be able to match each position or effectively hedge our exposure and often may be forced to hold a position overnight that has not been hedged. To the extent any unmatched positions are not disposed of intra-day, we mark those positions to market. Adverse movements in the securities underlying the positions or a downturn or disruption in the markets for the positions could result in our sustaining a substantial loss. In addition, any principal gains and losses resulting from these positions could, from time to time, have a disproportionate positive or negative effect on our financial condition and results of operations for a particular reporting period.

***Pricing and other competitive pressures may impair the revenues and profitability of our brokerage business.***

In recent years, we have experienced significant pricing pressures on trading margins and commissions, primarily in debt trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to increased price competition and decreased trading margins. The trend toward using alternative trading systems is continuing to grow, which may result in decreased commission and trading revenue, reduce our participation in the trading markets and our ability to access market information, and lead to the creation of new and stronger competitors. Additional pressure on sales and trading revenue may impair the profitability of our brokerage business. We believe that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins.



***Increase in capital commitments in our trading business increases the potential for significant losses.***

We may enter into transactions in which we commit our own capital as part of our trading business. The number and size of these transactions may materially affect our results of operations in a given period. We may also incur significant losses from our trading activities due to market fluctuations and volatility from quarter to quarter. We maintain trading positions in the fixed income markets to facilitate client-trading activities. To the extent that we own security positions, in any of those markets, a downturn in the value of those securities or in those markets could result in losses from a decline in value. Conversely, to the extent that we have sold securities we do not own in any of those markets, an upturn in those markets could expose us to potentially unlimited losses as we attempt to acquire the securities in a rising market. Moreover, taking such positions in times of significant volatility can lead to significant unrealized losses, which further impact our ability to borrow to finance such activities.

***Our principal trading and investments expose us to risk of loss.***

A significant portion of our revenue is derived from trading in which we act as principal. The Company may incur trading losses relating to the purchase, sale or short sale of corporate and asset-backed fixed income securities and other securities for our own account and from other principal trading. In any period, we may experience losses as a result of price declines, lack of trading volume, general market conditions, employee inexperience, errors or misconduct, or illiquidity. From time to time, we may engage in a large block trade in a single security or maintain large position concentrations in a single security, securities of a single issuer, or securities of issuers engaged in a specific industry. In general, any downward price movement in these securities could result in a reduction of our revenues and profits.

In addition, we may engage in hedging transactions and strategies that may not properly mitigate losses in our principal positions. If the transactions and strategies are not successful, we could suffer significant losses.

***Our principal investments are subject to various risks and expose us to a significant risk of capital loss, which may materially and adversely affect our results of operations and cash flows.***

We use a portion of our own capital in a variety of principal investment activities, each of which involves risks of illiquidity, loss of principal and revaluation of assets. As of December 31, 2022, we had \$28.0 million in other investments, at fair value.

We may use our capital, including on a leveraged basis, for principal investments in both private and public company securities that may be illiquid and volatile. The equity securities of any privately held entity in which we make a principal investment are likely to be restricted as to resale and may otherwise be highly illiquid. In the case of fund, SPAC-related or similar investments, our investments may be illiquid until such investment vehicles are liquidated. We expect that there will be restrictions on our ability to resell any such securities that we acquire for a period of time after we acquire such securities. Thereafter, a public market sale may be subject to volume limitations or be dependent upon securing a registration statement for an initial, and potentially secondary, public offering of the securities. Even if we make an appropriate investment decision, we cannot be assured that general market conditions will not cause the market value of our investments to decline. For example, an increase in interest rates, a general decline in the equity markets, or other market and industry conditions adverse to the type of investments we make and intend to make could result in a decline in the value of our investments or a total loss of our investment.

There are no regularly quoted market prices for a number of the investments we make. The value of our investments is determined using fair value methodologies described in valuation policies, which may take into consideration, among other things, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment, the trading price of recent sales of securities (in the case of publicly traded securities), restrictions on transfer, and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on estimates and assumptions specific to the particular investments. Therefore, the value of our investments does not necessarily reflect the prices that would actually be obtained by us when such investments are sold. Realizations at values significantly lower than the values at which investments have been previously held would result in losses of potential incentive income and principal investments.

In addition, in our principal investment activities, our concentrated holdings, illiquidity and market volatility may make it difficult to value certain of our investment securities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities in future periods. In addition, at the time of any sales and settlements of these securities, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than current fair value of such securities. Any of these factors could require us to take write-downs in the value of our investment and securities portfolio, which may have an adverse effect on our results of operations in future periods. If we are unable to manage any of these risks effectively, our results of operations and cash flows could be materially and adversely affected.

***Transition away from LIBOR as a benchmark reference for interest rates may affect the cost of capital and may require amending or restructuring existing debt instruments and related hedging arrangements for us, our investment funds and our separately managed accounts, and may impact the value of floating rate securities based on LIBOR we, our investment funds or our separately managed accounts hold or may hold in the future, which may result in additional costs or adversely affect our, our funds' or our separately managed accounts' liquidity, results of operations and financial condition.***

We currently have \$48,125 of par value debt which incurs interest based on the London interbank offered rate ("LIBOR"). The U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it will cease publication of the most commonly used U.S. dollar LIBOR tenors after June 30, 2023, though the less commonly used tenors ceased publication after December 31, 2021. U.S. federal banking agencies have issued guidance to strongly encourage institutions to cease entering into contracts that reference LIBOR by December 31, 2021. Central banks and regulators in the U.S. and other jurisdictions are working to implement the transition to suitable replacements for LIBOR. As an alternative to LIBOR, for example, the U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has recommended replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated based on short-term repurchase agreements, backed by Treasury securities. Although there have been a number of issuances utilizing different variants of SOFR, or the Sterling Over Night Index Average, an alternative reference rate that is used for transactions based on Pounds Sterling, many existing loans based on LIBOR remain to be transitioned to a replacement rate, and market participants are still working to develop workable transition mechanisms, including coordination with related hedging arrangements. As such, it is not possible to predict all potential effects of these changes on U.S. and global credit markets.

The administrator of LIBOR announced its intention to extend the publication of U.S. dollar LIBOR (except for the one-week and two-month tenors) until June 30, 2023, subject to a consultation process, and the Federal Reserve Board, the Alternative Reference Rates Committee and the International Swaps and Derivatives Association also issued concurrent statements agreeing with such announcement. Our investments funds and our separately managed accounts may need to amend or restructure our existing LIBOR-based debt instruments and any related hedging arrangements that extend beyond June 30, 2023, which may be difficult, costly and time consuming. In addition, from time to time our investment funds and separately managed accounts invest in floating rate loans and investment securities whose interest rates are indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or any changes announced with respect to such reforms, may result in a sudden or prolonged increase or decrease in the reported LIBOR rates and the value of LIBOR-based loans and securities, including those of other issuers we or our funds currently own or may in the future own, and may impact the availability and cost of hedging instruments and borrowings, including potentially, an increase to our and our funds' and separately managed accounts' interest expense and cost of capital. Any increased costs or reduced profits as a result of the foregoing may adversely affect our liquidity, results of operations and financial condition.

***The historical returns of our funds and managed accounts may not be indicative of the future results of our funds and managed accounts.***

The historical returns of our funds and managed accounts should not be considered indicative of future results expected from such fund and managed accounts or from any future funds we may raise or managed accounts we may open. Our rates of return reflect unrealized gains, as of the applicable measurement date, which may never be realized due to changes in market and other conditions not in our control that may adversely affect the ultimate valuation of the investments in a fund. The returns of our funds may have also benefited from investment opportunities and general market conditions that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities. Furthermore, the historical and potential future returns of the funds we manage also may not necessarily bear any relationship to potential returns on our shares.

***There is increasing regulatory supervision of alternative asset management companies.***

In the past several years, the financial services industry has been the subject of heightened scrutiny by regulators around the globe. In particular, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, forming specialized units devoted to examining such firms and, in certain cases, bringing enforcement actions against the firms, their principals and employees. In the last few years, there were a number of enforcement actions within the industry. The SEC announced that the 2020 examination priorities for the Office of Compliance Inspections and Examinations include such items as market infrastructure, information security, and anti-money laundering programs, but the SEC also signaled its intention to examine firms in emerging risk areas, such as robo-advice, digital assets, cybersecurity, SPACs, and new rules under the Investment Advisers Act of 1940, as amended and interpretations on standards of care. It is unclear, however, whether the SEC and its staff will increase the level of enforcement if, in the future, there is an effort on the part of the federal government to increase restrictions on business conduct, which could result in significant changes in, and uncertainty with respect to, legislation, regulation and government policy.

***Some of our asset management clients generally may redeem their investments, which could reduce our asset management fee revenues.***

Our asset management fund agreements generally permit investors to redeem their investments with us after an initial "lockup" period, during which redemptions are restricted or penalized. However, any such restrictions may be waived by us. Thereafter, redemptions are permitted at quarterly or annual intervals. If the return on the assets under our management does not meet investors' expectations, investors may elect to redeem their investments and invest their assets elsewhere, including with our competitors. Our management fee revenues correlate directly with the amount of assets under our management; therefore, redemptions may cause our fee revenues to decrease. Investors may decide to reallocate their capital away from us and to other asset managers for a number of reasons, including poor relative investment performance, changes in prevailing interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, dissatisfaction with changes in or a broadening of a fund's investment strategy, changes in our reputation, and departures or changes in responsibilities of key investment professionals. For these and other reasons, the pace of redemptions and corresponding reduction in our assets under management could accelerate. In the future, redemptions could require us to liquidate assets under unfavorable circumstances, which would further harm our reputation and results of operations.

***The investment management business is intensely competitive, which could have a material adverse impact on our business.***

We have been working to grow our asset management business and we compete as an investment manager for both fund investors and investment opportunities. The investment management business is highly fragmented, with our competitors consisting primarily of sponsors of public and private investment funds, real estate development companies, SPACs, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for fund investors is based primarily on:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers' drive, focus and alignment of interest;
- business reputation;
- the quality of services provided to fund investors;
- pricing;
- fund terms (including fees); and
- the relative attractiveness of the types of investments that have been or will be made.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. A number of factors serve to increase our competitive risks:

- our competitors may have greater financial, technical, marketing and other resources and more personnel than we do, and, in the case of some asset classes or geographic regions, longer operating histories, more established relationships, greater expertise or a better reputation;
- fund investors may materially decrease their allocations in new funds due to their experiences following an economic downturn, the limited availability of capital, regulatory requirements or a desire to consolidate their relationships with investment firms;
- certain of our competitors may have agreed to terms with respect to their investment funds or products that are more favorable to investors than our funds or products, such as lower management fees, greater fee sharing or higher performance hurdles for carried interest and, therefore, we may be forced to match or otherwise revise our terms to be less favorable to us than they have been in the past;
- certain of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors have raised or may raise significant amounts of capital, and many of them have similar investment objectives and strategies to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- certain of our competitors may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- certain of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;
- certain of our competitors may be subject to less regulation or less regulatory scrutiny and accordingly, may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less expense to comply with such regulations than we do;
- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;
- certain fund investors may prefer to invest with an investment manager that is not publicly traded, is larger or manages more investment products; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current fund fee, carried interest or other terms. There is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, could materially and adversely affect our revenues and profitability.

In addition, if interest rates were to rise or if market conditions for competing investment products become or are more favorable and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could materially and adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which could adversely impact our business, results of operations and cash flow.

***If the investments we have made or make on behalf of our investment funds and separately managed accounts perform poorly, we will suffer a decline in our asset management revenue and earnings because some of our fees are subject to the credit performance of the portfolios of assets. In addition, the investors in our investment funds and our separately managed accounts may seek to terminate our management agreements based on poor performance. Any of these results could adversely affect our results of operations and our ability to raise capital for future investment funds and separately managed accounts.***

Our revenue from our asset management business is partially derived from management fees paid by the investment funds and separate accounts we manage. In the case of the investment funds and separately managed accounts, our management fees are based on the equity of and net income earned by the vehicles, which is substantially based on the performance of the securities in which they invest.

In addition, investment performance is one of the most important factors in retaining existing investors and competing for new asset management business. Investment performance may be poor as a result of current or future difficult market or economic conditions, including changes to interest rates or inflation, terrorism or political uncertainty, our investment style, the particular investments that we make, and other factors beyond our control. In the event that our investment funds or separately managed accounts perform poorly, our asset management revenues and earnings will suffer a decline. We may be unable to raise capital for new investment funds or separately managed accounts to offset any losses we may experience. In addition, our management contracts may be terminated for various reasons.

***Any agreement to indemnify a SPAC against certain claims could negatively affect our financial results.***

In connection with our investments in SPACs in which we sponsor, we have agreed to and may continue to agree in the future to, indemnify the SPAC for all claims by third parties for services rendered or products sold to the SPAC, or claims by any prospective target business with which the SPAC discusses entering into a transaction agreement, subject to certain limitations. Our indemnification of the SPAC with respect to any such claims could negatively affect our financial results. In addition, if the SPAC liquidates, we may be liable to the SPAC under these indemnification obligations.

***We may in the future make loans to the SPACs in which we sponsor, which may not be repaid, in which event our financial results could be adversely affected.***

We have made loans to the SPACs in which we have sponsored to fund the SPAC's operating expenses following its IPO and may continue to do so in the future. These loans generally bear no interest and, if a SPAC consummates a business combination in the required time frame, we would expect the loan to be repaid from the funds held in the SPAC's trust account. If a SPAC to which we have loaned funds does not consummate a business combination in the required time frame, no funds from the SPAC's trust account will be available to repay any loan we have made to such SPAC. If these loans are not repaid, our financial results could be adversely affected.

***Our executive officers and members of our senior management team may allocate some portion of their time to the business of the SPACs of which we are a sponsor and to the SPACs of third party entities, which may create conflicts of interest in their determination as to how much time to devote to our affairs and may have a negative impact on our business.***

Our executive officers and members of our senior management team serve key roles in the SPACs of which we are a sponsor. For example, John Butler, our Managing Director of U.S. Insurance Strategy, serves as the Chief Executive Officer and President of the Insurance SPAC III and Joseph Pooler, our Chief Financial Officer, serves as the Chief Financial Officer of the Insurance SPAC III. We also anticipate that our executive officers and members of our senior management team will serve as key employees for future SPACs of which we are the sponsors. If our executive officers' and members of our senior management team's involvement in the business affairs of the SPACs of which we are a sponsor require any of them to devote substantial amounts of time to such affairs, it could limit their ability to devote time to our business affairs, which may have a negative impact on our business.

Daniel G. Cohen is a member of Cohen Circle, a fintech investing platform and the sponsor of third party SPACs. Mr. Cohen's involvement in Cohen Circle could also limit his ability to devote time to our business affairs, which may have a negative impact on our business. In addition, Joseph Pooler, our Chief Financial Officer and Douglas Listman, our Chief Accounting Officer serve as Chief Financial Officer of certain SPACs sponsored by Cohen Circle.

***If our risk management systems for our businesses are ineffective, we may be exposed to material unanticipated losses.***

We seek to manage, monitor, and control our operational, legal and regulatory risk through operational and compliance reporting systems, internal controls, management review processes and other mechanisms, and may not fully mitigate the risk exposure of our businesses in all economic or market environments or protect against all types of risk. Further, our risk management methods may not effectively predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, some of our risk management methods are based on an evaluation of information regarding markets, clients, and other matters that are based on assumptions that may no longer be accurate. A failure to adequately manage our growth, or to effectively manage our risk, could materially and adversely affect our business and financial condition. In addition, we are deploying our own capital in our funds and in principal investments, and limitations on our ability to withdraw some or all of our investments in these funds or liquidate our investment positions, whether for legal, reputational, illiquidity or other reasons, may make it more difficult for us to control the risk exposures relating to these investments.

***We are highly dependent on information and communications systems. Systems failures could significantly disrupt our business, which may, in turn, negatively affect our operating results.***

Our business will depend, to a substantial degree, on the proper functioning of our information and communications systems and our ability to retain the employees and consultants who operate and maintain these systems. Any failure or interruption of our systems, due to systems failures, staff departures or otherwise, could result in delays, increased costs or other problems which could have a material adverse effect on our operating results. A disaster, such as water damage to an office, an explosion or a prolonged loss of electrical power, could materially interrupt our business operations and cause material financial loss, regulatory actions, reputational harm or legal liability. In addition, if security measures contained in our systems are breached as a result of third-party action, employee error, malfeasance or otherwise, our reputation may be damaged, and our business could suffer. We have developed a business continuity plan, however, there are no assurances that such plan will be successful in preventing, timely and adequately addressing, or mitigating the negative effects of any failure or interruption.

There can be no assurance that our information systems and other technology will continue to be able to accommodate our operations, or that the cost of maintaining the systems and technology will not materially increase from the current level. A failure to accommodate our operations, or a material increase in costs related to information systems and technology, could have a material adverse effect on our business.

***We may not be able to keep pace with continuing changes in technology.***

Our market is characterized by rapidly changing technology. To be successful, we must adapt to this rapidly changing environment by continually improving the performance, features, and reliability of our services. We could incur substantial costs if we need to modify our services or infrastructure or adapt our technology to respond to these changes. A delay or failure to address technological advances and developments or an increase in costs resulting from these changes could have a material and adverse effect on our business, financial condition and results of operations.

***Failure to protect client data or prevent breaches of our information systems could expose us to liability or reputational damage.***

The secure transmission of confidential information over public networks is a critical element of our operations. We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations and with our clients and vendors. As the breadth and complexity of this infrastructure continue to grow, the potential risk of security breaches and cyber-attacks increases. As a financial services company, we may be subject to cyber-attacks and phishing scams by third parties. In addition, vulnerabilities of our external service providers and other third parties could pose security risks to client information. Such breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information and violations of privacy laws and regulations.

In providing services to clients, we manage, utilize and store sensitive and confidential client data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws and foreign regulations governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. Unauthorized disclosure of sensitive or confidential client data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems, whether by our employees or third parties, including a cyber-attack by computer programmers and hackers who may deploy viruses, worms or other malicious software programs, could result in negative publicity, significant remediation costs, legal liability, financial responsibility under our security guarantee to reimburse clients for losses resulting from unauthorized activity in their accounts and damage to our reputation and could have a material adverse effect on our results of operations. Further, the General Data Protection Regulation ("GDPR") requires entities processing the personal data of individuals in the European Union to meet certain requirements regarding the handling of that data. Failure to meet GDPR requirements could result in substantial penalties and materially adversely impact our financial results. The occurrence of any of these incidents could result in reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and regulatory and legal risk, including criminal penalties or civil liabilities. In addition, our liability insurance might not be sufficient in type or amount to cover us against claims related to security breaches, cyber-attacks, phishing scams and other related breaches.

***We are largely dependent on Pershing LLC to provide clearing services and margin financing.***

Our broker-dealer relies on Pershing LLC to provide clearing services, as well as other operational and support functions that cannot be provided for internally. In addition, currently all of our margin financing is obtained from Pershing LLC. As of December 31, 2022, our total margin loan payable to Pershing LLC is \$135.0 million. If our relationship with Pershing LLC is terminated, there can be no assurance that the functions and margin loan financing previously provided could be replaced on comparable economic terms.

***Our substantial level of indebtedness could adversely affect our financial health and ability to compete. In addition, our failure to satisfy the financial covenants in our debt agreements could result in a default and acceleration of repayment of the indebtedness thereunder.***

Our balance sheet includes approximately \$52.6 million par value of recourse indebtedness. Our indebtedness could have important consequences to our stockholders. For example, our indebtedness could:

- make it more difficult for us to pay our debts as they become due during general adverse economic and market industry conditions because any related decrease in revenues could cause our cash flows from operations to decrease and make it difficult for us to make our scheduled debt payments;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and consequently, place us at a competitive disadvantage to our competitors with less debt;
- require a substantial portion of our cash flow from operations to be used for debt service payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our ability to borrow additional funds to expand our business or alleviate liquidity constraints, as a result of financial and other restrictive covenants in our indebtedness; and
- result in higher interest expense in the event of increases in interest rates since some of our borrowings are and will continue to be, at variable rates of interest.

Under the junior subordinated notes related to the Alesco Capital Trust, we are required to maintain a total debt to capitalization ratio of less than 0.95 to 1.0. Also, because the aggregate amount of our outstanding subordinated debt exceeds 25% of our net worth, we are unable to issue any further subordinated debt. As of December 31, 2022, we have a substantial amount of debt with variable interest rates. We may experience material increases in our interest expense as a result of increases in general interest rate levels. In addition, our indebtedness imposes restrictions that limit our discretion with regard to certain business matters, including our ability to engage in consolidations and mergers and our ability to transfer and lease certain of our properties. Such restrictions could make it more difficult for us to expand, finance our operations and engage in other business activities that may be in our interest. Our ability to comply with these and any other provisions of such agreements will be affected by changes in our operating and financial performance, changes in business conditions or results of operations, adverse regulatory developments or other events beyond our control. The breach of any of these covenants could result in a default, which could cause our indebtedness to become due and payable. If the maturity of our indebtedness were accelerated, we may not have sufficient funds to pay such indebtedness. Any additional indebtedness we may incur in the future may subject us to similar or even more restrictive conditions.

***Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could adversely impact our financial statements.***

Accounting rules for transfers of financial assets, income taxes, compensation arrangements including share-based compensation, securitization transactions, consolidation of variable interest entities, determining the fair value of financial instruments and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to delay in preparation of our financial information. Changes in accounting interpretations or assumptions could materially impact our financial statements.



***We may change our investment strategy, hedging strategy, asset allocation and operational policies without our stockholders' consent, which may result in riskier investments and adversely affect the market value of our Common Stock.***

We may change our investment strategy, hedging strategy, asset allocation and/or operational policies at any time without the consent of our stockholders. A change in our investment or hedging strategy may increase our exposure to various risks including interest rate and exchange rate fluctuations. Furthermore, our board of directors will determine our operational policies and may amend or revise our policies, including policies with respect to our acquisitions, growth, operations, indebtedness, capitalization and distributions, or our board may approve transactions that deviate from these policies without a vote of, or notice to, our stockholders. Operational policy changes could adversely affect the market value of our Common Stock.

***Maintenance of our Investment Company Act exemption imposes limits on our operations, and loss of our Investment Company Act exemption would adversely affect our operations.***

We seek to conduct our operations so that we are not required to register as an investment company under the Investment Company Act. Section 3(a)(1)(C) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), defines an "investment company" as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Excluded from the term "investment securities," among other things, are securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We are a holding company that conducts our business primarily through the Operating LLC as a voting-controlled subsidiary. Whether or not we qualify under the 40% test is primarily based on whether the securities we hold in the Operating LLC are investment securities. If we were required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act) and other matters. Such limitations could have a material adverse effect on our business and operations. As of December 31, 2022, we are in compliance with and meet the Section 3(a)(1)(C) exclusion.

***The soundness of other financial institutions and intermediaries affects us.***

We face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions. As a result of the consolidation over the years of clearing agents, exchanges and clearing houses, our exposure to certain financial intermediaries has increased and could affect our ability to find adequate and cost-effective alternatives should the need arise. Any failure, termination or constraint of these intermediaries could adversely affect our ability to execute transactions, service our clients and manage our exposure to risk.

Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, funding, and counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mortgage originators and other institutional clients. Furthermore, although we do not hold any European sovereign debt, we may do business with and be exposed to financial institutions that have been affected by the recent European sovereign debt crisis. As a result, defaults by, or even rumors or questions about the financial condition of, one or more financial services institutions, or the financial services industry generally, have historically led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due us. Although we have not suffered any material or significant losses as a result of the failure of any financial counterparty, any such losses in the future may materially adversely affect our results of operations.

***We operate in a highly regulated industry and may face restrictions on, and examination of, the way we conduct certain of our operations.***

Our business is subject to extensive government and other regulation, and our relationship with our broker-dealer clients may subject us to increased regulatory scrutiny. These regulations are designed to protect the interests of the investing public generally rather than our stockholders and may result in limitations on our activities. Governmental and self-regulatory organizations, including the SEC, FINRA, the Commodity Futures Trading Commission and other agencies and securities exchanges such as the NYSE and NYSE American regulate the U.S. financial services industry, and regulate certain of our operations in the U.S. Some of our international operations are subject to similar regulations in their respective jurisdictions, including rules promulgated by the ACPR which apply to our operations in France. These regulatory bodies are responsible for safeguarding the integrity of the securities and other financial markets and protecting the interests of investors in those markets. In addition, all records of registered investment advisors and broker-dealers are subject at any time, and from time to time, to examination by the SEC. Some aspects of the business that are subject to extensive regulation and/or examination by regulatory agencies, include:

- sales methods, trading procedures and valuation practices;
- investment decision making processes and compensation practices;
- use and safekeeping of client funds and securities;
- the manner in which we deal with clients;
- the safeguarding of personally identifiable information;
- capital requirements;
- financial and reporting practices;
- required record keeping and record retention procedures;
- the licensing of employees;
- the conduct of directors, officers, employees and affiliates;
- systems and control requirements;
- conflicts of interest including, but not limited to allocation of investment opportunities and targets for business combinations for SPACs;
- restrictions on marketing, gifts and entertainment; and
- client identification and anti-money laundering requirements.

The SEC, FINRA, ACPR, and various other domestic and international regulatory agencies also have stringent rules and regulations with respect to the maintenance of specific levels of net capital by broker-dealers. Generally, in the U.S., a broker-dealer's net capital is defined as its net worth, plus qualified subordinated debt, less deductions for certain types of assets. If these net capital rules are changed or expanded, or if there is an unusually large charge against net capital, our operations that require the intensive use of capital would be limited. Also, our ability to withdraw capital from our regulated subsidiaries is subject to restrictions, which in turn could limit our ability or that of our subsidiaries to pay dividends, repay debt, make distributions and redeem or purchase shares of our Common Stock or other equity interests in our subsidiaries. A large operating loss or charge against net capital could adversely affect our ability to expand or even maintain our expected levels of business, which could have a material adverse effect on our business. In addition, we may become subject to net capital requirements in other foreign jurisdictions in which we operate. While we expect to maintain levels of capital in excess of regulatory minimums, we cannot predict our future capital needs or our ability to obtain additional financing.

If we or any of our subsidiaries fail to comply with any of these laws, rules or regulations, we or such subsidiary may be subject to censure, significant fines, cease-and-desist orders, suspension of business, suspensions of personnel or other sanctions, including revocation of registrations with FINRA, withdrawal of authorizations from or revocation of registrations with international agencies to whose regulation we are subject, which would have a material adverse effect on our business. The adverse publicity arising from the imposition of sanctions against us by regulators, even if the amount of such sanctions is small, could harm our reputation and cause us to lose existing clients or fail to gain new clients.

The authority to operate as a broker-dealer in a jurisdiction is dependent on the registration or authorization in that jurisdiction or the maintenance of a proper exemption from such registration or authorization. Our ability to comply with all applicable laws and rules is largely dependent on our compliance, credit approval, audit and reporting systems and procedures, as well as our ability to attract and retain qualified personnel. Any growth or expansion of our business may create additional strain on our compliance, credit approval, audit and reporting systems and procedures and could result in increased costs to maintain and improve such systems and procedures.

In addition, new laws or regulations or changes in the enforcement of existing laws or regulations applicable to us and our clients may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly monitor and react to these changes. Such changes may cause us to change the way we conduct our business, both in the U.S. and internationally. The government agencies that regulate us have broad powers to investigate and enforce compliance and punish noncompliance with their rules, regulations and industry standards of practice. If we and our directors, officers and employees fail to comply with the rules and regulations of these government agencies, we and they may be subject to claims or actions by such agencies.

***Substantial legal liability or significant regulatory action could have material adverse financial effects or cause significant reputational harm, either of which could seriously harm our business.***

We face substantial regulatory and litigation risks and conflicts of interests and may face legal liability and reduced revenues and profitability if our business is not regarded as compliant or for other reasons. We are subject to extensive regulation, and many aspects of our business will subject us to substantial risks of liability. We engage in activities in connection with (1) the evaluation, negotiation, structuring, marketing, and sales and management of our investment funds and financial products, (2) our Capital Markets segment, (3) our asset management operations, and (4) our investment activities. Our activities may subject us to the risk of significant legal liabilities under securities or other laws for material omissions or materially false or misleading statements made in connection with securities offerings and other transactions. In addition, to the extent our clients, or investors in our investment funds and financial products, suffer losses, they may claim those losses resulting from our or our officers', directors', employees', agents' or affiliates' breach of contract, fraud, negligence, willful misconduct or other similar misconduct, and may bring actions against us under federal or state securities or other applicable laws. Dissatisfied clients may also make claims against us regarding quality of trade execution, improperly settled trades, or mismanagement. We may become subject to these claims as the result of failures or malfunctions of electronic trading platforms or other brokerage services, including failures or malfunctions of third-party providers' systems which are beyond our control, and third parties may seek recourse against us for any losses. In addition, investors may claim breaches of collateral management agreements, which could lead to our termination as collateral manager under such agreements.

Following the start of the financial crisis in 2007, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial advisors and asset managers increased. With respect to the asset management business, we make investment decisions on behalf of our clients that could result in, and in some instances in the past have resulted in, substantial losses. In addition, as a manager, we are responsible for clients' compliance with regulatory requirements. Investment decisions we make on behalf of clients could cause such clients to fail to comply with regulatory requirements and could result in substantial losses. Although the management agreements generally include broad indemnities and provisions designed to limit our exposure to legal claims relating to our services, these provisions may not protect us or may not be enforced in all cases.

In addition, we are exposed to risks of litigation or investigation relating to transactions which present conflicts of interest that are not properly addressed. In such actions, we could be obligated to bear legal, settlement and other costs (which may be in excess of available insurance coverage). Also, with a workforce consisting of many very highly paid professionals, we may face the risk of lawsuits relating to claims for compensation, which may individually or in the aggregate be significant in amount. Similarly, certain corporate events, such as a reduction in our workforce or employee separations, could also result in additional litigation or arbitration. In addition, as a public company, we are subject to the risk of investigation or litigation by regulators or our public stockholders arising from an array of possible claims, including investor dissatisfaction with the performance of our business or our share price, allegations of misconduct by our officers and directors or claims that we inappropriately dealt with conflicts of interest or investment allocations. In addition, we may incur significant expenses in defending claims, even those without merit. If any claims brought against us result in a finding of substantial legal liability and/or require us to incur all or a portion of the costs arising out of litigation or investigation, our business, financial condition, liquidity and results of operations could be materially and adversely affected. Such litigation or investigation, whether resolved in our favor or not or ultimately settled, could cause significant reputational harm, which could seriously harm our business.

***The competitive pressures we face as a result of operating in highly competitive markets could have a material adverse effect on our business, financial condition, liquidity and results of operations.***

A number of entities conduct asset management, origination, investment, and broker-dealer activities. We compete with public and private funds, SPACs and SPAC sponsors, REITs, commercial and investment banks, savings and loan institutions, mortgage bankers, insurance companies, institutional bankers, governmental bodies, commercial finance companies, traditional asset managers, brokerage firms and other entities.

Many firms offer similar and/or additional products and services to the same types of clients that we target or may target in the future. Many of our competitors are substantially larger and have more relevant experience, have considerably greater financial, technical and marketing resources, and have more personnel than we have. There are few barriers to entry, including a relatively low cost of entering these lines of business, and the successful efforts of new entrants into our expected lines of business, including major banks and other financial institutions, may result in increased competition. Other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

With respect to our asset management activities, our competitors may have more extensive distribution capabilities, more effective marketing strategies, more attractive investment vehicle structures and broader name recognition than we do. Further, other investment managers may offer services at more competitive prices than we do, which could put downward pressure on our fee structure. With respect to our origination and investment activities, some competitors may have a lower cost of funds, enhanced operating efficiencies, and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. The competitive pressures we face, if not effectively managed, may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Also, as a result of this competition, we may not be able to take advantage of attractive asset management, origination and investment opportunities and, therefore, may not be able to identify and pursue opportunities that are consistent with our business objectives. Competition may limit the number of suitable investment opportunities offered to us. It may also result in higher prices, lower yields and a narrower spread of yields over our borrowing costs, making it more difficult for us to acquire new investments on attractive terms. In addition, competition for desirable investments could delay the investment in desirable assets, which may in turn reduce our earnings per share.

With respect to our broker-dealer activities, our revenues could be adversely affected if large institutional clients that we have increase the amount of trading they do directly with each other rather than through our broker-dealer, decrease the amount of trading they do with our broker-dealer because they decide to trade more with our competitors, decrease their trading of certain over-the-counter (“OTC”) products in favor of exchange-traded products, or hire in-house professionals to handle trading that our broker-dealer would otherwise be engaged to do.

We have experienced intense price competition in our fixed income brokerage business in recent years. Some competitors may offer brokerage services to clients at lower prices than we offer, which may force us to reduce our prices or to lose market share and revenue. In addition, we intend to focus primarily on providing brokerage services in markets for less commoditized financial instruments. As the markets for these instruments become more commoditized, we could lose market share to other inter-dealer brokers, exchanges and electronic multi-dealer brokers who specialize in providing brokerage services in more commoditized markets. If a financial instrument for which we provide brokerage services becomes listed on an exchange or if an exchange introduces a competing product to the products, we broker in the OTC market, the need for our services in relation to that instrument could be significantly reduced. Further, the recent consolidation among exchange firms, and expansion by these firms into derivative and other non-equity trading markets, will increase competition for customer trades and place additional pricing pressure on commissions and spreads.

***Employee misconduct or error, which can be difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and by subjecting us to significant legal liability and reputational harm.***

There have been a number of highly publicized cases involving fraud, trading on material non-public information, or other misconduct by employees and others in the financial services industry, and there is a risk that our employees could engage in misconduct that adversely affects our business. For example, we may be subject to the risk of significant legal liabilities under securities or other laws for our employees’ material omissions or materially false or misleading statements in connection with securities and other transactions. In addition, our advisory business requires that we deal with confidential matters of great significance to our clients. If our employees were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and could suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. We are also subject to extensive regulation under securities laws and other laws in connection with our asset management business. Failure to comply with these legislative and regulatory requirements by any of our employees could adversely affect us and our clients. It is not always possible to deter employee misconduct, and any precautions taken by us to detect and prevent this activity may not be effective in all cases.

Furthermore, employee errors, including mistakes in executing, recording or reporting transactions for clients (such as entering into transactions that clients may disavow and refuse to settle) could expose us to financial losses and could seriously harm our reputation and negatively affect our business. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms.



## ***Risks Related to Our Organizational Structure and Ownership of Our Common Stock***

***We could repurchase shares of our Common Stock at price levels considered excessive, the amount of our Common Stock we repurchase may decrease from historical levels, or we may not repurchase any additional shares of our Common Stock in the future.***

During 2021 and 2022, 49,544 and 0 shares of Common Stock, respectively, were repurchased and retired by us both in accordance with our Rule 10b5-1 trading plan (the “10b5-1 Plan”). We could repurchase shares of our Common Stock at price levels considered excessive, thereby spending more cash on such repurchases than deemed reasonable and effectively retiring fewer shares than would be retired if repurchases were effected at lower prices. Further, our future repurchases of shares of our Common Stock, if any, and the number of shares of Common Stock we may repurchase will depend upon our financial condition, results of operations and other factors deemed relevant by our board of directors. There can be no assurance that we will continue our practice of repurchasing shares of our Common Stock or that we will have the financial resources to repurchase shares of our Common Stock in the future.

See note 21 to our consolidated financial statements included in this Annual Report on Form 10-K for additional information regarding the 10b5-1 Plan.

***We are a holding company whose primary asset is units of membership interests in the Operating LLC, and we are dependent on distributions from the Operating LLC to pay taxes and other obligations.***

We are a holding company whose primary asset is units of membership interests in the Operating LLC. Since the Operating LLC is a limited liability company taxed as a partnership, we, as a member of the Operating LLC, could incur tax obligations as a result of our allocable share of the income from the operations of the Operating LLC. In addition, we have convertible senior debt and junior subordinated notes outstanding. The Operating LLC will pay distributions to us in amounts necessary to satisfy our tax obligations and regularly scheduled payments of interest in connection with our convertible senior debt and our junior subordinated notes, and we are dependent on these distributions from the Operating LLC in order to generate the funds necessary to meet these obligations and liabilities. Industry conditions and financial, business and other factors will affect our ability to generate the cash flows we need to make these distributions. There may be circumstances under which the Operating LLC may be restricted from paying dividends to us under applicable law or regulation (for example due to Delaware limited liability company act limitations on the Operating LLC’s ability to make distributions if liabilities of the Operating LLC after the distribution would exceed the value of the Operating LLC’s assets).

As a holding company that does not conduct business operations in its own right, substantially all of the assets of the Company are comprised of our minority economic ownership interest in the Operating LLC. The Company’s ability to pay any dividends to our stockholders will be dependent on any distributions we receive from the Operating LLC and subject to the Operating LLC’s operating agreement (the “Operating LLC Agreement”). The amount and timing of distributions by the Operating LLC will be at the discretion of the Operating LLC’s board of managers, which is comprised of Daniel G. Cohen, our Executive Chairman and the majority owner of the Operating LLC, Lester Brafman, our Chief Executive Officer and Joseph W. Pooler, Jr., our Chief Financial Officer.

Certain subsidiaries of the Operating LLC have restrictions on the withdrawal of capital and otherwise in making distributions and loans. JVB is subject to net capital restrictions imposed by the SEC and FINRA, which require certain minimum levels of net capital to remain in JVB. In addition, these restrictions could potentially impose notice requirements or limit the Company’s ability to withdraw capital above the required minimum amounts (excess capital) whether through distribution or loan. CCFEL is regulated by the CBI in Ireland and must maintain certain minimum levels of capital. CCFESSA is regulated by the ACPR and must maintain certain minimum levels of capital.

***Daniel G. Cohen, our Executive Chairman, has significant ownership interests in the Operating LLC and competing duties to other entities (including Cohen Circle) that could create potential conflicts of interest and may result in decisions that are not in the best interests of other Cohen & Company Inc. stockholders.***

As of December 31, 2022, Daniel G. Cohen, our Executive Chairman, individually and through an entity he wholly owns, Cohen Bros. Financial, LLC (“CBF”), owns 23,476,355 units of membership interests (including both unrestricted and restricted units), or 38.8% of the membership interests in the Operating LLC. In addition, as of December 31, 2022, the DGC Trust owns 20,225,095 or 33.4% units of the membership interests in the Operating LLC. The DGC Trust was formed by Daniel G. Cohen. Although Daniel G. Cohen is neither a trustee nor a named beneficiary of the DGC Trust and does not have any voting or dispositive control of securities held by the trust, he may be deemed to be a beneficial owner of all securities held by the DGC Trust as a result of his ability to acquire any of the DGC Trust’s assets, including any securities held by the DGC Trust (and, in turn, the sole voting and sole dispositive power with respect to such securities), by substituting other property of an equivalent value without the approval or consent of any person, including any trustee or beneficiary of the DGC Trust.

Cohen & Company, Inc. also holds units of membership interests in the Operating LLC and has the majority voting power of the LLC through a proxy granted to it by Mr. Cohen and the DGC Trust. On September 25, 2020, the Securities Purchase Agreement (the “SPA”) dated December 30, 2019, by and among the Company, the Operating LLC, Daniel Cohen, and DGC Trust and the Amended and Restated Limited Liability Company Agreement of the Operating LLC were amended to provide that the voting proxy shall be revoked in the event that Daniel G. Cohen and/or his affiliates cease to beneficially own a majority of the voting securities of the Company. See notes 21 and 31.

Additionally, as of December 31, 2022, Daniel G. Cohen owns 5.8% of our Common Stock. Further, as of such date, Mr. Cohen could be deemed to be the beneficial owner of additional shares of our Common Stock representing 4.5%, which is owned by EBC 2013 Family Trust (“EBC”) as the result of Mr. Cohen’s position as trustee of the trust and as a result of the fact that Mr. Cohen has sole voting power with respect to all securities held by EBC. As noted above, Daniel G. Cohen may control certain actions of the Company. As an owner of interests in the Operating LLC, Daniel G. Cohen may have interests that differ from the stockholders of the Company, including in circumstances in which there may be tax consequence to the members of the Operating LLC. Further, Daniel G. Cohen’s ownership interests in third party entities, including Cohen Circle, may result in his interests differing from the stockholders of the Company. As a result of his ownership in both the Company, the Operating LLC and third party entities, including Cohen Circle, it is possible that Daniel G. Cohen as a shareholder of the Company could approve or reject actions based on his own interests as a stockholder that may or may not be in the best interests of the other the Company’s stockholders.

***We are controlled by Daniel G. Cohen, whose interests in our business may be different than our other stockholders, and, as a “controlled company” within the meaning of the rules of NYSE American, our other stockholders will not have the same protections afforded to stockholders of companies that are subject to certain corporate governance requirements.***

Mr. Cohen currently owns approximately 42.9% of the voting power of the Company as a result of his ownership of Common Stock, Series E Preferred Stock and Series F Preferred Stock.

Further, the DGC Family Fintech Trust (the “DGC Trust”), a trust formed by Mr. Cohen, owns 9,880,268 shares of our Series F Preferred Stock. Our Series F Preferred Stock votes together with the holders of our Common Stock on all matters, entitling the holders thereof to one vote for every ten shares of Series F Preferred Stock held. Accordingly, the shares of Series F Preferred Stock held by the DGC Trust entitle the DGC Trust to 988,027 votes on matters presented to holders of our Common Stock. Although Daniel G. Cohen is neither a trustee nor a named beneficiary of the DGC Trust and does not have any voting or dispositive control of securities held by the DGC Trust, pursuant to the terms of the DGC Trust, Mr. Cohen has the ability to acquire any of the DGC Trust’s assets, including the 9,880,268 units of the membership interests in the Operating LLC held by the DGC Trust (at any time and without the consent of the trustees or beneficiaries of the DGC Trust) by substituting such assets with other property of equivalent value. Accordingly, Mr. Cohen, at any time, could become the owner of the membership interests in the Operating LLC currently held by the DGC Trust and, in turn, an additional 21.9% of the voting power of the Company.

As a result of Mr. Cohen’s voting control of the Company, Mr. Cohen has the right to designate all members of our board of directors and his nominees to our board of directors will have the ability to control the appointment of our management, the entering into of mergers, material acquisitions and dispositions and other extraordinary transactions and to influence amendments to our charter, bylaws and other corporate governance documents. So long as Mr. Cohen continues to own a majority of our voting stock, he will have the ability to control the vote in any election of directors and will have the ability to approve or prevent any transaction that requires stockholder approval regardless of whether others believe the transaction are or are not in our best interests. In any of these matters, the interests of Mr. Cohen may differ from or conflict with the interests of our other stockholders. Moreover, this concentration of voting stock ownership may also adversely affect the trading price for our Common Stock to the extent investors perceive disadvantages in owning stock of a company with a controlling stockholder.

In addition, because Mr. Cohen controls a majority of our voting stock, we are a “controlled company” within the meaning of the corporate governance standards of NYSE American. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including the requirements that a majority of the board of directors consist of independent directors and the requirements that the executive compensation committee and nominating and corporate governance committee each be comprised entirely of independent directors. We may take advantage of certain of these exemptions for as long as we continue to qualify as a “controlled company.” Accordingly, our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NYSE American.

Any future distributions to our stockholders will depend upon certain factors affecting our operating results, some of which are beyond our control. Our board of directors has not declared cash dividends recently. Any future distributions to our stockholders will depend upon certain factors affecting our operating results, some of which are beyond our control.

Our ability to make cash distributions is based on many factors, including the return on our investments, operating expense levels and certain restrictions imposed by Maryland law. Some of these factors are beyond our control and a change in any such factor could affect our ability to make distributions in the future. We may not be able to make distributions. Our stockholders should rely on increases, if any, in the price of our Common Stock for any return on their investment. Furthermore, we are dependent on distributions from the Operating LLC to be able to make distributions. See the risk factor above titled “We are a holding company whose primary asset is units of membership interest in the Operating LLC and we are dependent on distributions from the Operating LLC to pay taxes and other obligations.”

***Future sales of our Common Stock in the public market could lower the price of our Common Stock and impair our ability to raise funds in future securities offerings.***

Future sales of a substantial number of shares of our Common Stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of our Common Stock and could make it more difficult for us to raise funds in the future through a public offering of our securities.

***Your percentage ownership in the Company may be diluted in the future.***

Your percentage ownership in the Company may be diluted in the future because of equity awards that have been, or may be, granted to our directors, officers and employees. We have adopted equity compensation plans that provide for the grant of equity-based awards, including restricted stock, stock options and other equity-based awards to our directors, officers and other employees, advisors and consultants. At December 31, 2022, we had 341,059 shares of restricted stock outstanding to employees and directors of the Company and there were 761,324 shares available for future awards under our equity compensation plans. The Operating LLC also has issued 6,541,490 units that are restricted. Vesting of restricted stock, Operating LLC units, and stock option grants is generally contingent upon performance conditions and/or service conditions. Vesting of those shares of restricted units and stock would dilute the ownership interest of existing stockholders. Equity awards will continue to be a source of compensation for employees and directors.

If we raise additional capital, we expect it will be necessary for us to issue additional equity or convertible debt securities. If we issue equity or convertible debt securities, the price at which we offer such securities may not bear any relationship to our value, the net tangible book value per share may decrease, the percentage ownership of our current stockholders would be diluted, and any equity securities we may issue in such offering or upon conversion of convertible debt securities issued in such offering, may have rights, preferences or privileges with respect to liquidation, dividends, redemption, voting and other matters that are senior to or more advantageous than our Common Stock. If we finance acquisitions by issuing equity securities or securities convertible into equity securities, our existing stockholders will also be diluted.

***The issuance of the shares of Common Stock upon the redemption, if any, of the issued and outstanding LLC Units may cause substantial dilution to our existing stockholders and may cause the price of our Common Stock to decline.***

There are 60,528,362 units of membership interests in the Operating LLC issued and outstanding, including 23,476,355 units of membership interests in the Operating LLC beneficially owned by Daniel G. Cohen. Subject to certain restrictions, pursuant to the Operating LLC Agreement, a holder of unrestricted units of membership interests in the Operating LLC may cause the Operating LLC to redeem such units at any time for, at the Company's option, (A) cash or (B) one share of the Company's Common Stock for every ten units of membership interests in the Operating LLC. If the outstanding units of membership interests in the Operating LLC are redeemed by the Company for Common Stock, our existing stockholders could be significantly diluted and the price of our Common Stock may decline. See note 21 to our consolidated financial statements included in this Annual Report on Form 10-K.

***We may not be able to generate sufficient taxable income to fully realize our deferred tax asset, which would also have to be reduced if U.S. federal income tax rates are lowered.***

As of December 31, 2022, we have recorded a deferred tax asset of \$6.9 million. If we are unable to generate sufficient taxable income prior to the expiration of our NOLs, the NOLs would expire unused. Our projections of future taxable income required to fully realize the recorded amount of the net deferred tax asset reflect numerous assumptions about our operating businesses and investments and are subject to change as conditions change specific to our business units, investments or general economic conditions. Changes that are adverse to us could result in the need to increase our deferred tax asset valuation allowance resulting in a charge to results of operations and a decrease to total stockholders' equity. In addition, any decrease in the federal statutory tax rate, or other changes in federal tax statutes, could also cause a reduction in the economic benefit of the NOL currently available to us.

***The Maryland General Corporation Law (the "MGCL"), and provisions in our charter and bylaws may prevent takeover attempts that could be beneficial to our stockholders.***

Provisions of the MGCL and our charter and bylaws could discourage a takeover of us even if a change of control would be beneficial to the interests of our stockholders. These statutory, charter and bylaw provisions include the following:

- the MGCL generally requires the affirmative vote of two-thirds of all votes entitled to be cast on the matter to approve a merger, consolidation, or share exchange involving us or the transfer of all or substantially all of our assets;
- our board of directors has the power to classify and reclassify authorized and unissued shares of our Common Stock or preferred stock and, subject to certain restrictions in the Operating LLC Agreement, authorize the issuance of a class or series of Common Stock or preferred stock without stockholder approval;
- our charter may be amended only if the amendment is declared advisable by our board of directors and approved by the affirmative vote of the holders of our Common Stock entitled to cast at least two-thirds of all of the votes entitled to be cast on the matter;
- a director may be removed from office at any time with or without cause by the affirmative vote of the holders of our Common Stock entitled to cast at least two-thirds of the votes of the stock entitled to be cast in the election of directors;
- an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders and nominations of persons for election to our board of directors at an annual or special meeting of our stockholders;
- no stockholder is entitled to cumulate votes at any election of directors; and
- our stockholders may take action in lieu of a meeting with respect to any actions that are required or permitted to be taken by our stockholders at any annual or special meeting of stockholders only by unanimous consent.

## ***Risks Related to General and Global Factors***

***The COVID-19 pandemic has caused severe disruptions in the U.S. and global economy and is expected to continue to impact our business, financial condition and results of operations.***

Our business operations are and will continue to be susceptible to impacts of the COVID-19 pandemic. There is substantial uncertainty regarding the continuation of the COVID-19 pandemic and whether future, more widespread outbreaks will occur. The impact that the COVID-19 pandemic continues to have on our business and will have on our business in the future will depend on numerous factors that we cannot reliably predict, including the duration and scope of the COVID-19 pandemic; the effectiveness of vaccinations; the implications as a result of the emerging variants of COVID-19; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. These factors may adversely impact global financial market, as well as our businesses, including our SPAC franchise business, TBA trading and mortgage-related operations. This uncertainty may also affect our management's accounting estimates and assumptions. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - COVID 19 / Impairment of Goodwill" in Part II, Item 7 of this Annual Report on Form 10-K.

***We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.***

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine has led to market disruptions, including significant volatility in credit and capital markets.

Additionally, Russia's prior annexation of Crimea, the recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic, including agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") payment system. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets.

Any of the abovementioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report on Form 10-K.

***Climate change concerns and incidents could disrupt our business, adversely affect the profitability of certain of our investments, adversely affect customer activity levels, adversely affect the creditworthiness of our counterparties, and damage our reputation.***

Climate change may cause extreme weather events that disrupt our business operations, which may negatively affect our ability to service and interact with our customers, and also may adversely affect the value of certain of our investments, including those in the real estate markets. Climate change may also have a negative impact on the financial condition of our customers, which may decrease revenues from those customers and increase the credit risk associated with loans and other credit exposures to those customers. Additionally, our reputation and customer relationships may be damaged as a result of our involvement, or our customers' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. New regulations or guidance relating to climate change, as well as the perspectives of shareholders, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions we engage in certain activities or offer certain products.

***If we fail to implement our control our costs effectively, our business could be disrupted, and our financial results could be adversely affected.***

The Company continues to look for ways to reduce infrastructure costs and reposition itself in the financial services industry. Beginning in 2010 and continuing to the present, the Company executed initiatives that created efficiencies within its business and decreased operating expenses through the realignment of operating facilities, a merger of its two registered U.S. broker-dealer subsidiaries, and a restructuring of operating systems and systems support.

Our cost management initiatives have included reducing our workforce, which has placed increased burdens on our management, systems and resources, and generally increased our dependence on key persons and reduced functional back-ups. As a result, our ability to respond to unexpected challenges may be impaired, and we may be unable to take advantage of new opportunities. In addition, if these and other initiatives do not have the desired effects or result in the projected increased efficiencies, the Company may incur additional or unexpected expenses, reputational damage, or loss of customers which would adversely affect the Company's operations and revenues.

In response to changes in industry and market conditions, the Company may be required to further strategically realign its resources and consider restructuring, disposing of, or otherwise exiting businesses. We cannot assure you that we will be able to:

- Expand our capabilities or systems effectively;
- Successfully develop new products or services;
- Allocate our human resources optimally;
- Identify, hire or retain qualified employees or vendors;
- Incorporate effectively the components of any business that we may acquire in our effort to achieve growth;
- Sell businesses or assets at their fair market value; or
- Effectively manage the costs associated with developing, growing, acquiring or exiting a business.

***We may need to offer new investment strategies and products in order to continue to generate revenue.***

The asset management industry is subject to rapid change. Strategies and products that had historically been attractive may lose their appeal for various reasons. Thus, strategies and products that have generated fee revenue for us in the past may fail to do so in the future, in which case we would have to develop new strategies and products. It could be both expensive and difficult for us to develop new strategies and products, and we may not be successful in this regard. Since the disruptions in the global financial markets, we have had difficulty expanding our offerings which has inhibited our growth and harmed our competitive position in the asset management industry, and this may continue in the future.

***Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our business.***

Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. It is possible that potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. In addition, regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which could materially and adversely affect our business in a number of ways, including an inability to raise additional funds, a reluctance of counterparties to do business with us and the costs of defending litigation.

***Insurance may be inadequate to cover risks facing the Company***

Our operations and financial results are subject to risks and uncertainties related to our use of a combination of insurance, self-insured retention and self-insurance for a number of risks, including most significantly: property and casualty, workers' compensation, errors and omissions liability, general liability and the portion of employee-related health care benefits plans we fund, among others.

While we endeavor to purchase insurance coverage that is appropriate to our assessment of risk, we are unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. Our business may be negatively affected in the future if our insurance proves to be inadequate or unavailable. In addition, insurance claims may harm our reputation or divert management attention and resources away from operating our business.

***We depend on third-party software licenses and the loss of any of our key licenses could adversely affect our ability to provide our brokerage services.***

We license software from third parties, some of which is integral to our electronic brokerage systems and our business. Such licenses are generally terminable if we breach our obligations under the licenses or if the licensor gives us notice in advance of the termination. If any of these relationships were terminated, or if any of these third parties were to cease doing business, we may be forced to spend significant time and money to replace the licensed software. These replacements may not be available on reasonable terms, or at all. A termination of any of these relationships could have a material adverse effect on our financial condition and results of operations.

***If we fail to maintain effective internal control over financial reporting and disclosure controls and procedures in the future, we may not be able to accurately report our financial results, which could have an adverse effect on our business.***

If our internal controls over financial reporting and disclosure controls and procedures are not effective, we may not be able to provide reliable financial information. Because we are a smaller reporting company, we are not required to obtain, nor have we voluntarily obtained, an auditor attestation regarding the effectiveness of our controls as of December 31, 2022. Therefore, as of December 31, 2022, we have only performed management's assessment of the effectiveness of our internal controls and management has determined that our internal controls are effective as of December 31, 2022. Any failure to maintain effective controls in the future could adversely affect our business or cause us to fail to meet our reporting obligations. Such non-compliance could also result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements. In addition, perceptions of our business among customers, suppliers, rating agencies, lenders, investors, securities analysts and others could be adversely affected.

***The market price of our Common Stock may be volatile and may be affected by market conditions beyond our control.***

The market price of our Common Stock is subject to significant fluctuations in response to, among other factors:

- variations in our operating results and market conditions specific to our business;
- changes in financial estimates or recommendations by securities analysts;
- the emergence of new competitors or new technologies;
- operating and market price performance of other companies that investors deem comparable;
- changes in our board or management;
- sales or purchases of our Common Stock by insiders;
- commencement of, or involvement in, litigation;
- changes in governmental regulations;
- the relatively low trading volumes of our Common Stock; and
- general economic conditions and slow or negative growth of related markets.

In addition, if the market for stocks in our industry, or the stock market in general, experience a loss of investor confidence, the market price of our Common Stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause the price of our Common Stock to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to the board of directors and management.

***Our Common Stock may be delisted, which may have a material adverse effect on the liquidity and value of our Common Stock.***

To maintain our listing on the NYSE American, we must meet certain financial and liquidity criteria. The market price of our Common Stock has been and may continue to be subject to significant fluctuation as a result of periodic variations in our revenues and results of operations. If we violate the NYSE American listing requirements, our Common Stock may be delisted. If we fail to meet any of the NYSE American's listing standards, our Common Stock may be delisted. In addition, our board may determine that the cost of maintaining our listing on a national securities exchange outweighs the benefits of such listing. A delisting of our Common Stock from the NYSE American may materially impair our stockholders' ability to buy and sell our Common Stock and could have an adverse effect on the market price of, and the efficiency of the trading market for, our Common Stock. In addition, the delisting of our Common Stock could significantly impair our ability to raise capital.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.**

The following table lists our current leases as of December 31, 2022.

City	Description	Square Feet	Expiration Date	Status (1)
New York, NY	3 Columbus Circle- 24th Floor	11,166	2/28/2029	Partially Occupied / Partially Subleased
New York, NY	3 Columbus Circle- 17th Floor	8,409	3/31/2024	Occupied
Philadelphia, PA	2929 Arch Street	9,501	11/30/2029	Partially Occupied / Partially Subleased
Boca Raton, FL	1825 NW Corporate Blvd	5,208	6/30/2024	Occupied
Paris, France	17 avenue de l'Opera	1,830	5/31/2030	Occupied
Locust Valley, NY	63 Forest Avenue	288	9/30/2025	Occupied
Menlo Park, CA	2727 Sandy Hill Road	2,735	8/31/2025	Occupied
Jupiter, FL	601 Heritage Drive	290	9/30/2023	Occupied

- (1) For purposes of this table, the term “Partially Occupied / Partially Subleased” means we occupy a portion of the space and sublease the remaining portion to a third-party or third parties; and “Occupied” means we fully utilize the space for our operations.

The properties that we occupy are used either by the Company’s Capital Markets, Asset Management, or Principal Investing segments or all three. We believe that the facilities we occupy are suitable and adequate for our current operations.

**ITEM 3. LEGAL PROCEEDINGS.**

On October 8, 2021, Cohen & Company, Ltd., an Ohio limited liability company, as plaintiff, filed a complaint with the United States District Court, Eastern District of Pennsylvania, under the caption *Cohen & Company, Ltd. v. Cohen & Company Inc.*, alleging that Cohen & Company Inc., as defendant, has been using the “Cohen & Company” trademark and business name, which allegedly infringes and unfairly competes with the plaintiff’s registered trademarks “Cohen & Company” and “Cohen & Co,” in violation of applicable federal and state trademark laws and regulations. Pursuant to the complaint, the plaintiff has demanded that the defendant be permanently enjoined from using the “Cohen & Company” trademark and business name in connection with its business, pay to the plaintiff statutory damages, attorneys’ fees and costs and other damages, and pay over to plaintiff all gains, profits and advantages realized by the defendant from its allegedly unlawful acts and omissions. The Company filed a partial motion on April 18, 2022, and on October 6, 2022, the Court granted the Company’s motion and dismissed the plaintiff’s counterfeiting claim with prejudice. On October 27, 2022, the parties executed a confidential settlement agreement and all the plaintiff’s claims were dismissed with prejudice on October 31, 2022, ending the case. Other than legal fees incurred which are included in the Company’s financial statements, the Company incurred no loss related to this case.

From time to time, the Company is a party to various routine legal proceedings, claims, and regulatory inquiries arising out of the ordinary course of the Company’s business. Management believes that the results of these routine legal proceedings, claims, and regulatory matters will not have a material adverse effect on the Company’s financial condition, or on the Company’s operations and cash flows. However, the Company cannot estimate the legal fees and expenses to be incurred in connection with these routine matters and, therefore, is unable to determine whether these future legal fees and expenses will have a material impact on the Company’s operations and cash flows. It is the Company’s policy to expense legal and other fees as incurred.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.



## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### *Market Information for Our Common Stock and Dividends*

Our Common Stock trades under the symbol "COHN" on the NYSE American Stock Exchange. The closing price of our Common Stock was \$8.99 on March 6, 2023. We had 1,819,866 shares of Common Stock outstanding held by 35 holders of record as of March 6, 2023.

Commencing on March 22, 2004, our Common Stock began trading on the NYSE under the symbol "SFO." On October 6, 2006, upon completion of our merger with Alesco Financial Trust and our name change from Sunset Financial Resources, Inc. to Alesco Financial Inc., our NYSE symbol was changed to "AFN."

On December 16, 2009, we effectuated a 1-for-10 reverse stock split. Also, our name changed from Alesco Financial Inc. to Cohen & Company Inc., we moved our listing of Common Stock from the NYSE to the NYSE American Stock Exchange (formerly known as the NYSE MKT LLC) and our trading symbol was changed to "COHN."

Effective January 21, 2011, we changed our name to Institutional Financial Markets, Inc. and our Common Stock began trading on the NYSE American Stock Exchange under the symbol "IFML."

On September 1, 2017, we effectuated a second 1-for-10 reverse stock split and changed our name to Cohen & Company Inc. Our trading symbol was changed to "COHN."

During the third quarter of 2010, our board of directors initiated a dividend of \$0.50 per quarter, which was paid regularly through December 31, 2011. Beginning in 2012, our board of directors declared a dividend of \$0.20 per quarter, which was paid regularly through the first quarter of 2019. Each time a cash dividend was declared by our board of directors, a pro rata distribution was made to the other members of the Operating LLC upon payment of dividends to our stockholders. On August 2, 2019, we announced that our board of directors decided to suspend our quarterly cash dividend.

On July 29, 2021, our board of directors reinstated our quarterly dividend declaring a cash dividend of \$0.25 per share. We have paid a cash dividend of \$0.25 regularly since then. In addition to our routine quarterly distribution, on March 8, 2022, our board of directors declared a special dividend of \$0.75 per share. Any future determination to declare and pay dividends will be made at the discretion of our board of directors, after taking into account a variety of factors, including business, financial, and regulatory considerations as well as any limitations under Maryland law or imposed by any agreements governing our indebtedness.

#### *Unregistered Sales of Equity Securities*

None

#### *Issuer Purchases of Equity Securities*

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased under the Plans or Programs (1)
October 1, 2022 - October 31, 2022	-	\$-	-	\$-
November 1, 2022 - November 30, 2022	-	\$-	-	\$-
December 1, 2022 - December 31, 2022	-	\$-	-	\$-
Total	-		-	

- (1) Dollar amounts in thousands. On August 3, 2007, our board of directors authorized us to repurchase up to \$50 million of our Common Stock from time to time in open market purchases or privately negotiated transactions. The repurchase plan was publicly announced on August 7, 2007. See note 21 to our consolidated financial statements in this Annual Report on Form 10-K.

#### *Equity Compensation Plans*

Information on certain of our equity compensation plans, for which shares of our common stock are authorized for issuance, is included in the section of our Proxy Statement captioned "Cash and Equity Plan Compensation" and is incorporated herein by reference.

### ITEM 6. [Reserved]

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*"Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On a regular basis, we evaluate these estimates, including fair value of financial instruments. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.*

**All amounts in this disclosure are in thousands (except share, unit, per share, and per unit data) except where otherwise noted.**

### Overview

We are a financial services company specializing in an expanding range of capital markets and asset management services. We are organized into three business segments: Capital Markets, Asset Management, and Principal Investing.

- **Capital Markets:** Our Capital Markets business segment consists primarily of fixed income sales, trading, gestation repo financing, new issue placements in corporate and securitized products, and advisory services. Our fixed income sales and trading group provides trade execution to corporate investors, institutional investors, mortgage originators, and other smaller broker-dealers. We specialize in a variety of products, including but not limited to: corporate bonds, ABS, MBS, RMBS, CDOs, CLOs, CBOs, CMOs, municipal securities, TBAs and other forward agency MBS contracts, U.S. government bonds, U.S. government agency securities, brokered deposits and CDs for small banks, and hybrid capital of financial institutions including TruPS, whole loans, and other structured financial instruments. We also offer execution and brokerage services for equity products. We carry out our capital markets activities primarily through our subsidiaries: JVB in the United States and CCFESA in Europe. A division of JVB, Cohen & Company Capital Markets ("CCM") is our full-service boutique investment bank which focuses on M&A, capital markets, and SPAC advisory.
- **Asset Management:** Our Asset Management business segment manages assets within CDOs, managed accounts, joint ventures, and investment funds (collectively, "Investment Vehicles"). A CDO is a form of secured borrowing. The borrowing is secured by different types of fixed income assets such as corporate or mortgage loans or bonds. The borrowing is in the form of a securitization, which means that the lenders are actually investing in notes backed by the assets. In the event of default, the lenders will have recourse only to the assets securing the loan. Our Asset Management business segment includes our fee-based asset management operations, which include on-going base and incentive management fees. As of December 31, 2022, we had approximately \$2.1 billion in assets under management ("AUM") of which 49.8% was in CDOs. A significant portion of our asset management revenue is earned from the management of CDOs. We have not completed a new securitization since 2008. As a result, our asset management revenue has declined from its historical highs as the assets of the CDOs decline due to maturities, repayments, auction call redemptions, and defaults. Our ability to complete securitizations in the future will depend upon, among other things, our asset origination capacity and success, our ability to arrange warehouse financing to originate assets, our willingness and capacity to fund required amounts to obtain warehouse financing and securitized financings, and the demand in the markets for such securitizations. The remaining portion of our AUM is from a diversified mix of other Investment Vehicles that were more recently formed.
- **Principal Investing:** Our Principal Investing business segment is comprised of investments that we hold related to our SPAC franchise and other investments we have made for the purpose of earning an investment return rather than investments to support our trading or other Capital Markets business segment activities. These investments are a component of our other investments, at fair value, other investments sold, not yet purchased, and investments in equity method affiliates in our consolidated balance sheet.

We generate our revenue by business segment primarily through the following activities.

### Capital Markets:

- Our trading activities, which include execution and brokerage services, securities lending activities, riskless trading activities, as well as gains and losses (unrealized and realized) and income and expense earned on securities classified as trading;
- Net interest income on our matched book repo financing activities; and
- New issue and advisory revenue comprised of (a) new issue revenue associated with originating, arranging, or placing newly created financial instruments and (b) revenue from advisory services.

### Asset Management:

- Asset management fees for our on-going asset management services provided to certain Investment Vehicles, which may include fees both senior and subordinate to the securities issued by the Investment Vehicle; and
- Incentive management fees earned based on the performance of the certain Investment Vehicles.

### Principal Investing:

- Gains and losses (unrealized and realized) and income and expense earned on securities classified as other investments, at fair value and other investments sold, not yet purchased; and
- Income and loss earned on equity method investments.



## ***Business Environment***

Our business in general and our Capital Markets business segment in particular, do not produce predictable earnings. Our results can vary dramatically from year to year and quarter to quarter. Our business is materially affected by economic conditions in the financial markets, political conditions, broad trends in business and finance, the housing and mortgage markets, changes in volume and price levels of securities transactions, and changes in interest rates, including overnight funding rates, all of which can affect our profitability and are unpredictable and beyond our control. These factors may affect the financial decisions made by investors and companies, including their level of participation in the financial markets and their willingness to participate in corporate transactions. Severe market fluctuations or weak economic conditions could reduce our trading volume and revenues, negatively affect our ability to generate new issue and advisory revenue, and adversely affect our profitability.

As a general rule, our trading business benefits from increased market volatility. Increased volatility usually results in increased activity from our clients and counterparties. However, periods of extreme volatility may at times result in clients reducing their trading volumes, which would negatively impact our results. Also, periods of extreme volatility may result in large fluctuations in securities valuations and we may incur losses on our holdings. Also, our mortgage group's business benefits when mortgage volumes increase, and may suffer when mortgage volumes decrease. Among other things, mortgage volumes are significantly impacted by changes in interest rates. In addition, as a smaller firm, we are exposed to intense competition. Although we provide financing to our customers, larger firms have a much greater capability to provide their clients with financing, giving them a competitive advantage. We are much more reliant upon our employees' relationships, networks, and abilities to identify and capitalize on market opportunities. Therefore, our business may be significantly impacted by the addition or loss of key personnel.

We try to address these challenges by (i) focusing our business on clients and asset classes that are underserved by the large firms, (ii) continuing to monitor our fixed costs to enhance operating leverage and limit our losses during periods of low volumes, and (iii) attempting to hire and retain entrepreneurial and effective traders, investment bankers, and salespeople. Our business environment is rapidly changing. New risks and uncertainties emerge continuously and it is not possible for us to predict all the risks we will face. This may negatively impact our operating performance.

A portion of our revenue is generated from net trading activity. We engage in proprietary trading for our own account, provide and arrange securities financing for our customers, and execute "riskless" trades with a customer order in hand resulting in limited market risk to us. The inventory of securities held for our own account, as well as held to facilitate customer trades, and our market making activities are sensitive to market movements.

A portion of our revenue is generated from new issue and advisory engagements. The fees charged and volume of these engagements are sensitive to the overall business environment. We provide origination services in Europe through our subsidiary CCFESA, and new issue and advisory services in the U.S. through our subsidiary JVB. A division of JVB, CCM is our full-service boutique investment bank which focuses on M&A, capital markets, and SPAC advisory. Currently, our primary source of new issue and advisory revenue is from originating assets for our U.S. and European insurance asset management business including our U.S. Insurance JV and our CREO JV, as well as from investment banking and advisory services through CCM.

A portion of our revenue is generated from management fees. Our ability to charge management fees and the amount of those fees is dependent upon the underlying investment performance and stability of the Investment Vehicles. If these types of investments do not provide attractive returns to investors, the demand for such instruments will likely fall, thereby reducing our opportunity to earn new management fees or maintain existing management fees. The creation of CDOs has depended upon a vibrant securitization market. Since 2008, volumes within the securitization market have dropped significantly and have not fully recovered since that time. We have not completed a new securitization since 2008. The remaining portion of our AUM is from a diversified mix of other Investment Vehicles most of which were more recently formed.

A significant portion of our asset management revenue is earned from the management of CDOs. As a result, our asset management revenue from CDOs has declined from its historical highs as the assets of the CDOs decline due to maturities, repayments, auction call redemptions, and defaults. Our ability to complete securitizations in the future will depend upon, among other things, our asset origination capacity and success, our ability to arrange warehouse financing to originate assets, our willingness and capacity to fund required amounts to obtain warehouse financing and securitized financings, and the demand in the markets for such securitizations.

A portion of our revenues is generated from our principal investing activities. Therefore, our revenues are impacted by the overall market supply of and demand for these investments as well as the individual performance of each investment. Our principal investments are included within other investments, at fair value, other investments sold, not yet purchased, and investments in equity method affiliates in our consolidated balance sheets. More recently, a significant component of our principal investment revenue and income from equity method affiliates has come from SPAC related equity investments, primarily in entities that have been the result of sponsored SPAC business combinations or related party sponsored SPAC business combinations or third party sponsored SPAC business combinations. Access to these investments is reliant on a robust SPAC market. Performance of the resulting principal investments can be materially impacted by overall performance of the equity markets. See note 8 to our consolidated financial statements included in this Annual Report on Form 10-K.

### ***The SPAC Market***

Beginning in 2018, we began sponsoring a series of SPACs. Each sponsored SPAC either completed or was seeking to complete a business combination with a company involved in the insurance market. In addition, we invest in other SPACs at various stages of their business life cycle. Beginning in 2019, these SPAC activities have become a significant portion of our Principal Investing business segment. In August 2018, we invested in and became the general partner of a newly formed investment fund (the "SPAC Fund"), which was created for the purpose of investing in the equity interests of SPACs and SPAC sponsor entities including SPACs sponsored by us, our affiliates, and third parties. As a complement to the SPAC Fund, we established and became manager of two newly formed umbrella limited liability companies (the "SPAC Series Funds") that issue a separate series of interest for each investment portfolio, which typically consists of investments in the sponsor entities of individual SPACs. Generally, when a SPAC acquires or merges with a privately held target company, the target company winds up owning a majority of the resulting outstanding equity of the SPAC so the transaction is accounted for as a reverse merger. Private companies utilize reverse mergers with SPACs as a method of going public as an alternative to a traditional IPO. All of our business activity related to SPACs is highly sensitive to the volume of activity in the SPAC market. Volumes could be negatively impacted if target companies no longer see SPACs as an attractive alternative thereby reducing the number of suitable potential business combination targets. Also, investor demand for SPACs would be negatively impacted if the stocks of SPACs that successfully complete a business combination underperform the market. If volumes of SPAC activity decline, our results of operations will likely be significantly negatively impacted.

Equity prices of post business combination SPACs declined significantly during 2022. We are exposed to public equity prices of SPACs and post business combination SPACs both through our other investments, at fair value and investments in equity method affiliates. As a result, we recorded significant principal transaction losses and equity method losses during the year ended December 31, 2022. Continued declines in the equity prices of these companies will result in further losses for us.

Performance in the financial services industry in which we operate is highly correlated to the overall strength of the economy and financial market activity. Overall market conditions are a product of many factors beyond our control and can be unpredictable. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. In turn, these decisions may affect our business results. With respect to financial market activity, our profitability is sensitive to a variety of factors including the volatility of the equity and fixed income markets, the level and shape of the various yield curves, and the volume and value of trading in securities.

Margins and volumes in certain products and markets within the fixed income brokerage business continue to decrease materially as competition has increased and general market activity has declined. Further, we continue to expect that competition will increase over time, resulting in continued margin pressure.

Our response to this margin compression has included: (i) building a diversified fixed income trading platform; (ii) acquiring or building out new product lines and expanding existing product lines; (iii) building a hedging execution and funding operation to service mortgage originators; and (iv) monitoring our fixed costs. Our cost management initiatives are ongoing. However, there can be no certainty that these efforts will be sufficient. If insufficient, we will likely see a decline in profitability.

#### *U.S. Housing Market*

In recent years, our mortgage group has grown in significance to our Capital Markets segment and our company overall. The mortgage group primarily earns revenue by providing hedging execution, securities financing, and trade execution services to mortgage originators and other investors in mortgage-backed securities. Therefore, this group's revenue is highly dependent on the volume of mortgage originations in the U.S. Origination activity is highly sensitive to interest rates, the U.S. job market, housing starts, sale activity of existing housing stock, as well as the general health of the U.S. economy. In addition, any new regulation that impacts U.S. government agency mortgage-backed security issuance activity, residential mortgage underwriting standards, or otherwise impacts mortgage originators will impact our business. We have no control over these external factors and there is no effective way for us to hedge against these risks. Our mortgage group's volumes and profitability will be highly impacted by these external factors.

#### *Rising Interest Rates and Inflation*

During 2022, the U.S. Federal Reserve began a process of raising the federal funds rate and quantitative tightening to address rising inflation. These actions have the effect of increasing interest rates which negatively impacts our business in several ways:

1. Rising rates reduce the fair value of fixed income securities we hold on our balance sheet.
2. Rising rates have created instability in the equity markets which has reduced equity financing and business combination volumes and negatively impacted CCM.
3. Rising rates have reduced the volumes of new issue fixed income instruments which has negatively impacted our CREO JV.
4. Rising rates significantly reduce mortgage activity. Our mortgage group's profitability is mainly impacted by the volume of mortgage activity in the U.S. (both mortgages for new home purchases as well as refinancing). Furthermore, our mortgage group engages in repo lending to mortgage originators. Reduced mortgage volumes impose financial pressures on mortgage originators and may increase the risk that originators default on their repo obligations to us. See Note 11 to our consolidated financial statements included in Item 1 of this Annual Report on Form 10-K.
5. Rising rates may ultimately push the U.S. into recession, which may further reduce overall transaction volumes in the financial markets negatively impacting our business generally.

#### *COVID-19*

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in domestic and international markets. There is on-going uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

In 2021, medical professionals developed COVID-19 vaccines and governments began to distribute them globally, which is expected to reduce virus spread and further aid economic recovery. Despite broad improvements in the global fight against the COVID-19 virus, we will likely be impacted by the pandemic in other ways which we cannot reliably determine. We will continue to monitor market conditions and respond accordingly. In April 2020, we applied for and received a \$2,166 loan under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. On June 21, 2021, we received notification that the U.S. Small Business Administration, as administrator of the PPP, had approved our PPP loan forgiveness application for \$2,127 and all accrued interest on the PPP loan, leaving us with a remaining PPP loan balance of \$39. The PPP loan forgiveness was recorded to other non-operating income on the consolidated statements of operations and comprehensive income. We repaid the remaining balance plus accrued interest on June 25, 2021, at which point the PPP loan balance was reduced to zero.

## ***Recent Events and Transactions***

### ***Conversion of the 2017 Convertible Note***

On March 10, 2017, the Operating LLC issued to DGC Family Fintech Trust (the “DGC Trust”), a trust established by Daniel G. Cohen, a convertible senior secured promissory note in the aggregate principal amount of \$15,000 (the “2017 Convertible Note”). On March 20, 2022, the DGC Trust elected to convert the 2017 Convertible Note into an aggregate of 10,344,827 units of membership interests in the Operating LLC at the conversion rate specified in the 2017 Convertible Note agreement of \$1.45 per unit. As a result of such conversion, the 2017 Convertible Note was cancelled in its entirety. These units of membership interests have the same conversion and redemption rights as the existing convertible non-controlling interest units of membership interest. See note 20.

Pursuant to the DGC Trust’s governing documents, Daniel G. Cohen has the ability to acquire at any time any of the DGC Trust’s assets, including the units of membership interests, by substituting other property of an equivalent value without the approval or consent of any person, including any trustee or beneficiary of the DGC Trust. See Notes 21 and 31.

### ***The 2020 Senior Notes***

On January 31, 2022, the Operating LLC and JKD Investor entered into a Note Purchase Agreement. On January 31, 2020, the Operating LLC entered into a Note Purchase Agreement (the “Original Purchase Agreement”) with JKD Capital Partners I LTD, a New York corporation (“JKD Investor”), and RN Capital Solutions LLC, a Delaware limited liability company (“RNCS”). The JKD Investor is owned by Jack DiMaio, Jr., the vice chairman of the Company’s board of directors and the Operating LLC’s board of managers, and his spouse. The note purchased by the JKD Investor is herein referred to as the “JKD Note.”

Pursuant to the Original Purchase Agreement, JKD Investor and RNCS each purchased a senior promissory note in the principal amount of \$2,250 (for an aggregate investment of \$4,500). The senior promissory notes bore interest at a fixed rate of 12% per annum and matured on January 31, 2022, pursuant to which, among other things, on such date, (i) JKD Investor paid to the Operating LLC an additional \$2,250 and (ii) in consideration for such funds, the Operating LLC issued to JKD Investor an Amended and Restated Senior Promissory Note in the aggregate principal amount of \$4,500 (the “Amended and Restated Note”), which Amended and Restated Note amended and restated the JKD Note in its entirety. The 2022 Purchase Agreement contains customary representations and warranties on the part of each of JKD Investor and the Operating LLC. We used these proceeds to retire \$2,250 of existing 2020 Senior Notes held by RNCS. See note 20 and 31.

### ***Commercial Real Estate Opportunities ("CREO") JV***

On September 3, 2021, we committed to invest up to \$15,000 of equity in a newly formed joint venture (the “CREO JV”) with an outside investor who committed to invest approximately \$435,000 of equity in the CREO JV. We are required to invest 7.5% of the total equity of the CREO JV with an absolute limit of \$15,000. The CREO JV is managed by us.

The CREO JV was formed for the purposes of investing in primarily multi-family commercial real estate mortgage-backed loans and below-investment-grade rated tranches in CRE CLOs collateralized by mostly transitional commercial real estate mortgage-backed loans. “CRE CLO” means any pooling of commercial real estate mortgage-backed loans into a collateralized loan obligation.

The commercial real estate loans that will be funded by the CREO JV may be originated by us and we may earn origination fees in connection with such transactions. In addition, we may earn structuring fees in connection with structuring and consummating a CRE CLO consisting of a pooling of commercial real estate loans. We will also earn management fees as manager of any CRE CLOs based on the value of the assets consolidated into a CRE CLO (calculated in accordance with the terms of such CRE CLO), payable from the proceeds generated by and in accordance with the distribution waterfall of such CRE CLO.

We elected the fair value option in accordance with the provisions of ASC 820 to account for our equity method investment in the CREO JV. The investment is included in other investments, at fair value, on the consolidated balance sheet and gains and losses (both realized and unrealized) are recognized in the consolidated statement of operations as a component of principal transactions and other income. Because the CREO JV has the attributes of investment companies as described in ASC 946-15-2, we estimate the fair value of our investment using the net asset value (“NAV”) per share (or its equivalent) as of the reporting date in accordance with the “practical expedient” provisions related to investments in certain entities that calculate net asset value per share (or its equivalent) included in ASC 820 for all entities. As of December 31, 2022, our investment balance in the CREO JV was \$6,568.

### ***Wind Down of the Company's GCF Repo Business***

During 2017-2021, we carried out a matched book GCF repo business as a full-netting member of the FICC Government Services Division. In October 2021, primarily due to reduced spreads in the repo market for GCF collateral, we decided to wind down this business. As of December 31, 2021, the wind down was completed and the GCF reverse repurchase agreements and repurchase agreements balances were reduced to zero. See note 11.

The Operating LLC was the manager of Insurance Acquisition Sponsor III, LLC ("IAS III") and Dioptra Advisors III, LLC (together with IAS III, the "Insurance SPAC III Sponsor Entities"). The Insurance SPAC III Sponsor Entities were sponsors of INSU Acquisition Corp. III ("Insurance SPAC III"). On December 22, 2020, Insurance SPAC III completed the sale of 25,000,000 units (the "Insurance SPAC III Units") in its initial public offering ("IPO"). Each Insurance SPAC III Unit consisted of one share of Insurance SPAC III's class A common stock, par value \$0.0001 per share ("Insurance SPAC III Common Stock"), and one-third of one Insurance SPAC III warrant (each, an "Insurance SPAC III Warrant"), where each whole Insurance SPAC III Warrant entitled the holder to purchase one share of Insurance SPAC III Common Stock for \$11.50 per share. The Insurance SPAC III Units were sold in the IPO at an offering price of \$10.00 per unit. If Insurance SPAC III failed to consummate a business combination within the first 24 months following the IPO, its corporate existence would cease except for the purpose of winding up its affairs and liquidating its assets.

The Operating LLC loaned to Insurance SPAC III approximately \$71 to cover IPO expenses, which was repaid in full at the closing of the IPO. IAS III and its affiliates, including the Operating LLC, committed to loan Insurance SPAC III up to an additional \$1,500 to cover operating and acquisition related expenses following the IPO, of which \$960 was borrowed by Insurance SPAC III. See notes 31 and 32. The loans bore no interest, and if the Insurance SPAC III consummated a business combination in the required time period, the loans were to be repaid from the funds held in Insurance SPAC III's trust account. If Insurance SPAC III did not consummate a business combination in the required time frame, no funds from Insurance SPAC III's trust account could be used to repay the loans.

On November 18, 2022, Insurance SPAC III announced it would not consummate an initial business combination within the time period required and that it intended to dissolve and liquidate, effective as of the close of business on December 22, 2022, and redeem all of the Insurance SPAC III Common Stock and each Insurance SPAC Warrant that were included in its IPO, at a per-share redemption price of approximately \$10.09. As of the close of business on December 22, 2022, the Insurance SPAC III Common Stock and each Insurance SPAC Warrant were deemed cancelled and represented only the right to receive the redemption amount.

In order to provide for the disbursement of funds from the trust account, Insurance SPAC III instructed the trustee of the trust account to take all necessary actions to liquidate the securities held in the trust account. The proceeds of the trust account were held in a non-interest bearing account while awaiting disbursement to the holders of the Public Shares. Record holders will receive their *pro rata* portion of the proceeds of the trust account, less \$100 of interest to pay dissolution expenses and net of taxes payable. Insurance SPAC III Sponsor Entities agreed to waive their redemption rights with respect to their outstanding shares of Class B common stock issued prior to the Insurance SPAC III IPO. There will be no redemption rights or liquidating distributions with respect to each Insurance SPAC III Warrant, which will expire worthless.

As a result of the liquidation of Insurance SPAC III, we recorded an equity method loss of \$5,896 for the year ended December 31, 2022, which included a write-off of the amounts advanced to Insurance SPAC III from the Operating LLC as well as amounts invested. Of this loss, \$4,808 was allocated to the non-convertible non-controlling interests. Therefore, the net impact to the Operating LLC was \$1,088.

## Consolidated Results of Operations

The following section provides a comparative discussion of our consolidated results of operations for the specified periods. The period-to-period comparisons of financial results are not necessarily indicative of future results.

### Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

The following table sets forth information regarding our consolidated results of operations for the years ended December 31, 2022 and 2021.

#### COHEN & COMPANY INC. CONSOLIDATED STATEMENTS OF OPERATIONS (Dollars in Thousands)

	Year Ended December 31,		Favorable / (Unfavorable)	
	2022	2021	\$ Change	% Change
Revenues				
Net trading	\$ 40,009	\$ 69,385	\$ (29,376)	(42)%
Asset management	9,004	10,923	(1,919)	(18)%
New issue and advisory	24,721	28,736	(4,015)	(14)%
Principal transactions and other income	(29,347)	37,324	(66,671)	(179)%
Total revenues	44,387	146,368	(101,981)	(70)%
Operating expenses				
Compensation and benefits	50,290	85,048	34,758	41%
Business development, occupancy, equipment	5,076	3,365	(1,711)	(51)%
Subscriptions, clearing, and execution	8,274	10,307	2,033	20%
Professional fee and other operating	8,153	7,684	(469)	(6)%
Depreciation and amortization	557	371	(186)	(50)%
Total operating expenses	72,350	106,775	34,425	32%
Operating income / (loss)	(27,963)	39,593	(67,556)	(171)%
Non-operating income / (expense)				
Interest expense, net	(4,982)	(7,233)	2,251	31%
Income / (loss) from equity method affiliates	(20,931)	36,010	(56,941)	(158)%
Other non operating income	-	2,127	(2,127)	(100)%
Income / (loss) before income taxes	(53,876)	70,497	(124,373)	(176)%
Income tax expense / (benefit)	4,794	(3,541)	(8,335)	(235)%
Net income / (loss)	(58,670)	74,038	(132,708)	(179)%
Less: Net income (loss) attributable to the non-convertible non-controlling interest	(23,203)	35,574	58,777	165%
Enterprise net income (loss)	(35,467)	38,464	(73,931)	(192)%
Less: Net income (loss) attributable to the convertible non-controlling interest	(22,078)	26,656	48,734	183%
Net income / (loss) attributable to Cohen & Company Inc.	\$ (13,389)	\$ 11,808	\$ (25,197)	(213)%

#### Revenues

Revenues decreased by \$101,981, or 70%, to \$44,387 for the year ended December 31, 2022, as compared to \$146,368 for the year ended December 31, 2021. As discussed in more detail below, the change was comprised of (i) a decrease of \$29,376 in net trading revenue; (ii) a decrease of \$1,919 in asset management revenue; (iii) a decrease of \$4,015 in new issue and advisory revenue; and (iv) a decrease of \$66,671 in principal transactions and other income.

## Net Trading

Net trading revenue decreased by \$29,376, or 42%, to \$40,009 for the year ended December 31, 2022, as compared to \$69,385 for the year ended December 31, 2021. The following table shows the detail by trading group.

### NET TRADING (Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	Change
Mortgage	\$ 1,143	\$ 6,885	\$ (5,742)
Matched book repo	30,595	46,139	(15,544)
High yield corporate	4,694	10,390	(5,696)
Investment grade corporate	1,197	593	604
Wholesale and other	2,380	5,378	(2,998)
Total	<u>\$ 40,009</u>	<u>\$ 69,385</u>	<u>\$ (29,376)</u>

Our net trading revenue includes unrealized gains on our trading investments, as of the applicable measurement date that may never be realized due to changes in market or other conditions not in our control. This may adversely affect the ultimate value realized from these investments. In addition, our net trading revenue also includes realized gains on certain proprietary trading positions. Our ability to derive trading gains from such trading positions is subject to overall market conditions. Due to volatility and uncertainty in the capital markets, the net trading revenue recognized during the year may not be indicative of future results. Furthermore, from time to time, some of the assets included in the Investments-trading line of our consolidated balance sheets represent level 3 valuations within the FASB valuation hierarchy. Level 3 assets are carried at fair value based on estimates derived using internal valuation models and other estimates. See notes 9 and 10 to our consolidated financial statements included in this Annual Report on Form 10-K. The fair value estimates made by us may not be indicative of the final sale price at which these assets may be sold. We consider our matched book repo business to be subject to significant concentration risk. See note 11 to our consolidated financial statements included in this Annual Report on Form 10-K.

The Company recorded a gross loss of \$5,454 in connection with the FGMC reverse repo. Of the \$5,454 loss, \$5,244 was recorded as a reduction in net trading revenue and \$210 was recorded in professional fees and other operating expense. Of the \$5,244 recorded in net trading revenue, \$4,330 is included in the mortgage group and \$914 is included in the matched book repo group in the table above. See note 11 to our consolidated financial statements included in Item 1 of this Annual Report on Form 10-K.

## Asset Management

### Assets Under Management

Our AUM equals the sum of the NAV or gross assets of the Investment Vehicles we manage based on whichever measurement serves as the basis for the calculation of our management fees.

Our calculation of AUM may differ from the calculations used by other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers. This definition of AUM is not necessarily identical to the definitions of AUM that may be used in our management agreements.

### ASSETS UNDER MANAGEMENT (Dollars in Thousands)

	As of December 31,		
	2022	2021	2020
Company sponsored CDOs	\$ 1,053,430	\$ 1,239,988	\$ 2,057,178
Other Investment Vehicles (1)	1,062,897	1,118,162	712,028
Assets under management (2)	<u>\$ 2,116,327</u>	<u>\$ 2,358,150</u>	<u>\$ 2,769,206</u>

(1) Other Investment Vehicles include any Investment Vehicle that is not a Company sponsored CDO.

(2) In some cases, accounts we manage may employ leverage. In some cases, our fees are based on gross assets and in some cases on net assets. Finally, in the case of the SPAC Series Funds there are no management fees earned. AUM included herein is calculated using either gross or net assets of each managed account or CDO based on whichever serves as the basis for our management fees. In the case where no management fees are earned, the net assets are included.



Asset management fees decreased by \$1,919, or 18%, to \$9,004 for the year ended December 31, 2022, as compared to \$10,923 for the year ended December 31, 2021, as discussed in more detail below.

ASSET MANAGEMENT  
(Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	Change
CDOs	\$ 3,454	\$ 2,484	\$ 970
Other	5,550	8,439	(2,889)
Total	<u>\$ 9,004</u>	<u>\$ 10,923</u>	<u>\$ (1,919)</u>

A significant portion of our asset management fees are earned from the management of CDOs. We have not completed a new securitization since 2008. As a result, our asset management revenue from CDOs has declined from its historical highs as the assets of the CDOs decline due to maturities, repayments, auction call redemptions, and defaults. Our ability to complete securitizations in the future will depend upon, among other things, our asset origination capacity and success, our ability to arrange warehouse financing to originate assets, our willingness and capacity to fund required amounts to obtain warehouse financing and securitized financings, and the demand in the markets for such securitizations.

Asset management fees from CDOs increased because the Alesco 1 securitization completed a successful auction during 2022. As a result, we received payment of deferred subordinated management fees of \$1,600. Otherwise, asset management fees from CDOs declined by \$630 during 2022 mainly due to a decline in AUM due to liquidations of collateral, our removal as manager of one CDO, and principal paydowns of collateral.

Asset management fees from other investment vehicles decreased primarily due to a reduction of incentive fees earned on the SPAC Fund.

*New Issue and Advisory Revenue*

New issue and advisory revenue decreased by \$4,015, or 14%, to \$24,721 for the year ended December 31, 2022, as compared to \$28,736 for the year ended December 31, 2021.

	Year Ended December 31,		
	2022	2021	Change
Cohen & Company Capital Markets	\$ 16,880	\$ 22,676	\$ (5,796)
Commercial Real Estate Originations	1,897	1,428	469
U.S. Insurance Originations	4,753	1,940	2,813
European Insurance Originations	1,191	2,692	(1,501)
Total	<u>\$ 24,721</u>	<u>\$ 28,736</u>	<u>\$ (4,015)</u>

Our revenue earned from new issue and advisory has been, and we expect will continue to be, volatile. We earn revenue from a limited number of engagements. Therefore, a small change in the number of engagements can result in large fluctuations in the revenue recognized. Further, even if the number of engagements remains consistent, the average revenue per engagement can fluctuate considerably. Finally, our revenue is generally earned when an underlying transaction closes (rather than on a monthly or quarterly basis). Therefore, the timing of underlying transactions increases the volatility of our revenue recognition. In addition, we often incur certain costs related to new issue engagements. These costs are included as a component of either subscriptions, clearing and execution, or professional fees and other and will generally be recognized in the same period that the related revenue is recognized.

CCM is our full-service boutique investment banking platform which focuses on M&A, capital markets, and SPAC advisory. In addition, we generate new issue revenue by originating new assets for the U.S. Insurance JV, CREO JV, and for our PriDe funds in Europe.

#### *Principal Transactions and Other Income*

Principal transactions and other income decreased by \$66,671 to (\$29,347) for the year ended December 31, 2022, as compared to \$37,324 for the year ended December 31, 2021.

#### PRINCIPAL TRANSACTIONS & OTHER INCOME (Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	Change
SFT	\$ (5,539)	\$ (5,258)	\$ (281)
LMND	(2,805)	43,655	(46,460)
IMXI	-	318	(318)
WEJO	(1,794)	(3,160)	1,366
REE	(4,755)	(2,939)	(1,816)
ML	(238)	(988)	750
BKSY	(78)	(914)	836
FOXO	(1,044)	-	(1,044)
HLGN	(14,754)	-	(14,754)
RBT	(1,576)	-	(1,576)
Other SPAC equity	(2,232)	3,094	(5,326)
Stoa USA Inc. / FlipOs	4,196	1,805	2,391
U.S. Insurance JV	11	142	(131)
SPAC Fund	(43)	474	(517)
Other principal investments	20	(45)	65
Total principal transactions	(30,631)	36,184	(66,815)
IIFC revenue share	673	634	39
All other income / (loss)	611	506	105
Other income	1,284	1,140	144
Total principal transactions and other income	<u>\$ (29,347)</u>	<u>\$ 37,324</u>	<u>\$ (66,671)</u>

#### *Principal Transactions*

For all investments discussed below, see note 9 to our consolidated financial statements included in this Annual Report on Form 10-K for information about how we determine the value of these instruments. For several of the investments described below, we also had an investment in the same company which was accounted for under the equity method during the periods presented. See discussion of equity method income / (loss) below.

SFT is a publicly traded company. In the periods presented, the shares of SFT we held were comprised of both unrestricted and restricted shares and were carried at fair value. For a portion of the period we have held these shares, they were held in majority owned consolidated subsidiaries (the "Insurance SPAC Sponsor Entities"). Accordingly, there were significant non-controlling interest and equity compensation expense associated with these. See discussion of non-convertible non-controlling interest and equity compensation expense below. As of December 31, 2022, the total carrying value of our investment in SFT was \$231.

LMND is a publicly traded company. In the periods presented, the shares of LMND we held were comprised of both unrestricted and restricted shares and were carried at fair value. For a portion of the period we have held these shares, they were held in majority owned consolidated subsidiaries (the "Insurance SPAC II Sponsor Entities"). Accordingly, there were significant non-controlling interest and equity compensation expense associated with these. See discussion of non-convertible non-controlling interest and equity below. As of December 31, 2022, the total carrying value of our investment in LMND was \$561.

IMXI represents equity positions of International Money Express, Inc. (NASDAQ: IMXI), a publicly traded company that resulted from the merger of Intermex Holdings, LLC and FinTech Acquisition Corp. II. These shares were carried at fair value. As of December 31, 2022, we hold no remaining investment in IMXI.

WEJO represents equity positions of Wejo Group, Ltd. (NASDAQ: WEJO), a publicly traded company that closed its business combination with Virtuoso Acquisition Corp. As of December 31, 2022, we had a total investment in WEJO carried at fair value of \$175, which was included as a component of other investment's at fair value.

REE represents equity positions of REE Automotive Ltd. (NASDAQ: REE), a publicly traded company that closed its business combination with 10X Capital Venture Acquisition Corp. As of December 31, 2022, we had a total investment in REE carried at fair value of \$292, which was included as a component of other investments, at fair value.

ML represents equity positions of MoneyLion, Inc. (NYSE: ML), a publicly traded company that closed its business combination with Fusion Acquisition Corp. As of December 31, 2022, we had a total investment in ML carried at fair value of \$25, which was included as a component of other investments, at fair value.

BKSY represents equity positions of BlackSky Technology Inc. (NYSE: BKSY), a publicly traded company that closed its business combination with Osprey Technologies Acquisition Corp. As of December 31, 2022, we had a total investment in BKSY carried at fair value of \$28, which was included as a component of other investments, at fair value.

FOXO represents equity positions of FOXO Technologies Inc. (NASDAQ: FOXO), a publicly traded company that closed its business combination with Delwinds Insurance Acquisition Corp. As of December 31, 2022, we had a total investment in FOXO carried at fair value of \$109, which was included as a component of other investments, at fair value.

HLGN represents equity positions of Heliogen, Inc. (NYSE: HLGN), a publicly traded company that closed its business combination with Athena Technology Acquisition Corp. As of December 31, 2022, we had a total investment in HLGN carried at fair value of \$353, which was included as a component of other investments, at fair value.

RBT represents equity positions of Rubicon Technologies, Inc. (NYSE: RBT), a public company that closed its business combination with Founder SPAC. As of December 31, 2022, we had a total investment in RBT carried at fair value of \$4,424, which was included as a component of other investments, at fair value.

Other SPAC equity represents equity investments in publicly traded SPACs or their successor public companies carried at fair value.

Stoa USA Inc. / FlipOs is a private company in which we own common equity. We carry our investment at fair value. As of December 31, 2022, we had a total investment in Stoa USA Inc. / FlipOs carried at fair value of \$6,693, which was included as a component of other investments, at fair value. See note 31 to our consolidated financial statements included in Item 1 of this Annual Report on Form 10-K.

The U.S. Insurance JV invests in insurance company debt. We carry our investment in the U.S. Insurance JV at its reported NAV. As of December 31, 2022, we had a total investment in the U.S. Insurance JV carried at fair value of \$3,459, which was included as a component of other investments, at fair value.

The SPAC Fund invests in the equity of SPACs. We carry our investment in the SPAC Fund at its reported NAV. As of December 31, 2022, we had a total investment in SPAC Fund carried at fair value of \$527, which was included as a component of other investments, at fair value.

Other principal investments consist of realized and unrealized gains and losses from other investments reported at fair value.

#### *Other Income*

Other income / (loss) is comprised of an ongoing revenue share arrangement as well as other miscellaneous operating income items. The revenue share arrangement noted in the table above entitles us to a percentage of revenue earned by IIFC. The IIFC revenue share arrangement expires at the earlier of (i) the dissolution of IIFC or (ii) when we have earned a cumulative \$20,000 in revenue share payments. To date, we have earned \$4,513. Also, in any particular year, the revenue share earned by us cannot exceed \$2,000.

### *Operating Expenses*

Operating expenses decreased by \$34,425, or 32%, to \$72,350 for the year ended December 31, 2022, as compared to \$106,775 for the year ended December 31, 2021. As discussed in more detail below, the change was comprised of (i) a decrease of \$34,758 in compensation and benefits; (ii) an increase of \$1,711 in business development, occupancy, and equipment; (iii) a decrease of \$2,033 in subscriptions, clearing, and execution; (iv) an increase of \$469 in professional fee and other operating; and (v) an increase of \$186 in depreciation and amortization.

### *Compensation and Benefits*

Compensation and benefits decreased by \$34,758, or 41%, to \$50,290 for the year ended December 31, 2022, as compared to \$85,048 for the year ended December 31, 2021.

#### COMPENSATION AND BENEFITS (Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	Change
Cash compensation and benefits	\$ 45,900	\$ 69,330	\$ (23,430)
Equity-based compensation	4,390	15,718	(11,328)
Total	<u>\$ 50,290</u>	<u>\$ 85,048</u>	<u>\$ (34,758)</u>

Cash compensation and benefits in the table above is primarily comprised of salary, incentive compensation, severance, employer portion of payroll taxes, and benefits. Cash compensation and benefits decreased by \$23,430 to \$45,900 for the year ended December 31, 2022, as compared to \$69,330 for the year ended December 31, 2021. Our headcount increased to 121 as of December 31, 2022 from 118 as of December 31, 2021. Cash compensation decreased primarily due to a decrease in incentive compensation related to the decrease in overall revenue and income from equity method affiliates.

Equity-based compensation decreased by \$11,328 to \$4,390 for the year ended December 31, 2022, as compared to \$15,718 for the year ended December 31, 2021. Of the \$15,718 of equity compensation recognized in 2021, \$13,068 was due to equity compensation related to the issuance of membership units of the Insurance SPAC II Sponsor Entities to employees of the Company. The expense was recognized upon the completion of the merger between Insurance SPAC II and MetroMile on February 9, 2021. No further equity-based compensation expense will be recognized related to membership units of the Insurance SPAC II Sponsor Entities in the future.

The Insurance SPAC III Sponsor Entities had issued membership units to employees of the Company. Insurance SPAC III was liquidated in 2022 and therefore these units became worthless. No equity compensation expense was recognized on these units in 2021 or 2022, and no compensation expense will be recognized in the future.

The remaining equity-based compensation recognized during 2022 and 2021 relates to restricted grants of the Company's Common Stock and Operating LLC units. This amount increased by \$1,740 to \$4,390 for the year ended December 31, 2022, as compared to \$2,650 for the year ended December 31, 2021. This increase was due to increased share grants during 2022 as compared to 2021.

### *Business Development, Occupancy, and Equipment*

Business development, occupancy, and equipment increased by \$1,711, or 51%, to \$5,076 for the year ended December 31, 2022, as compared to \$3,365 for the year ended December 31, 2021. This increase was comprised of an increase in business development expense of \$752 and an increase in occupancy and equipment of \$959. Business development increased due to increased travel in 2022 due to a general reduction in pandemic restrictions. The increase in occupancy and equipment expense was mainly due to additional rent in our California office.

### *Subscriptions, Clearing, and Execution*

Subscriptions, clearing, and execution decreased by \$2,033, or 20%, to \$8,274 for the year ended December 31, 2022, as compared to \$10,307 for the year ended December 31, 2021. This decrease was comprised of a decrease in clearing and execution costs of \$2,342 partially offset by an increase in subscriptions and dues of \$309. The increase in subscriptions and dues was due to normal fluctuations in number of subscriptions. The decrease in clearing and execution was due to decreased trading volumes.

### *Professional Fee and Other Operating Expenses*

Professional fee and other operating expenses increased by \$469, or 6%, to \$8,153 for the year ended December 31, 2022, as compared to \$7,684 for the year ended December 31, 2021. This increase was comprised of an increase in professional fees of \$673; partially offset by a decrease in other operating expense of \$204. The increase in professional fees was mainly the result of increased consultant usage. The decrease in other operating expense was mainly the result of a reduction in other (non income based) taxes.

### *Depreciation and Amortization*

Depreciation and amortization increased by \$186, or 50%, to \$557 for the year ended December 31, 2022, as compared to \$371 for the year ended December 31, 2021.

### *Non-Operating Income and Expense*

#### *Interest Expense, net*

Interest expense, net decreased by \$2,251 to \$4,982 for the year ended December 31, 2022, as compared to \$7,233 for the year ended December 31, 2021.

#### INTEREST EXPENSE (Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	Change
Junior subordinated notes	\$ 3,442	\$ 2,601	\$ 841
2020 Senior Notes	458	540	(82)
2013 Convertible Notes / 2019 Senior Notes	-	211	(211)
2017 Convertible Note	327	1,534	(1,207)
Line of Credit (Byline)	247	435	(188)
Redeemable Financial Instrument - DGC Trust / CBF	-	197	(197)
Redeemable Financial Instrument - JKD Capital Partners I LTD	508	1,715	(1,207)
	<u>\$ 4,982</u>	<u>\$ 7,233</u>	<u>\$ (2,251)</u>

See notes 19 and 20 to our consolidated financial statements included in this Annual Report on Form 10-K.

### Income / (loss) from Equity Method Affiliates

Income / (loss) from equity method affiliates decreased by \$56,941 to (\$20,931) for the year ended December 31, 2022 from \$36,010 for the year ended December 31, 2021. See note 12 to our consolidated financial statements included in this Annual Report on Form 10-K.

	Year Ended December 31,		
	2022	2021	Change
Insurance SPACs	\$ (5,898)	\$ (1,306)	\$ (4,592)
SPAC Sponsor Entities	(14,963)	37,453	(52,416)
Dutch Real Estate Entities	(70)	(137)	67
	<u>\$ (20,931)</u>	<u>\$ 36,010</u>	<u>\$ (56,941)</u>

SPAC Sponsor Entities includes both indirect and direct investments in SPAC Sponsor Entities. Several of these SPAC Sponsor Entities are invested in SPACs that have completed their business combinations. Those SPAC Sponsor Entities hold restricted and unrestricted equity interests in the public post-merger entities. We account for our investments in SPAC Sponsor Entities under the equity method of accounting. If the SPAC Sponsor Entity distributes SPAC shares to us, we account for those SPAC shares as a component of other investments, at fair value. The following table shows the equity method income or loss included in other SPAC Sponsor Entities above broken out by the ultimate public company investee. For several of the investments described below, we also had an investment in the same company accounted for at fair value as a component of other investments, at fair value during the periods presented. See discussion of principal transactions above.

	Year Ended December 31,		
	2022	2021	Change
HLGN	\$ (10,558)	\$ 28,443	\$ (39,001)
WEJO	(2,214)	1,962	(4,176)
DRTS	378	-	378
REE	-	2,489	(2,489)
PAYO	-	2,993	(2,993)
PWP	(74)	1,293	(1,367)
ACHR	(217)	728	(945)
FOXO	1,017	-	1,017
Other	(3,295)	(455)	(2,840)
	<u>\$ (14,963)</u>	<u>\$ 37,453</u>	<u>\$ (52,416)</u>

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of HLGN was \$0.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of WEJO was \$0.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of DRTS was \$379.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of REE was \$0.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of PAYO was \$0.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of PWP was \$121.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of ACHR was \$0.

As of December 31, 2022, our equity method investment in sponsor entity of the predecessor SPAC of FOXO was \$0.

The remaining other investments in SPAC Sponsor Entities represent direct and indirect investments in sponsor entities who have not yet completed a business combination. See note 12 to our consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-K.



#### *Other Non-Operating (Income) / Loss*

We recorded other non-operating income of \$2,127 for the year ended December 31, 2021 as the result of the forgiveness of our PPP loan. See note 20 to our consolidated financial statements included in this Annual Report on Form 10-K.

#### *Income Tax Expense / (Benefit)*

We have significant carryforward tax assets. As of December 31, 2022, the Company had a federal net operating loss ("NOL") of approximately \$96,002, which will be available to offset future taxable income, subject to limitations described below. If not used, this NOL will begin to expire in 2028. The Company also had net capital losses ("NCLs") in excess of capital gains of \$70,457 as of December 31, 2022, which can be carried forward to offset future capital gains. If not used, this carryforward will begin to expire in 2023. ASC 746 requires that we record a valuation allowance against these assets so that the net asset recognized is, in management's judgment, more likely than not to be realized.

The income tax expense / (benefit) was \$4,794 for the year ended December 31, 2022, as compared to (\$3,541) for the year ended December 31, 2021. See note 23 to our consolidated financial statements included in our Annual Report on Form 10-K.

The tax expense recognized in 2022 was comprised of a deferred tax expense of \$4,579 and current tax expense of \$215. The current tax expense incurred was the result of foreign, state, and local income tax. The deferred tax expense was a U.S. federal, state, and local tax benefit, which was the result of the increase in the valuation allowance applied against the Company's NOL and NCL tax assets.

The tax benefit recognized in 2021 was comprised of a deferred tax benefit of \$4,117, partially offset by current tax expense of \$576. The current tax expense incurred was the result of foreign, state, and local income tax. The deferred tax benefit was a U.S. federal, state, and local tax benefit, which was the result of the reduction in the valuation allowance applied against the Company's net operating loss carryforward ("NOL") and net capital loss carryforward ("NCL") tax assets.

Each reporting period, management determines the expected amount of taxable income it will generate in each jurisdiction where the Company has NOLs. Management then schedules this income against each carryforward asset and determines what portion of the asset it believes is more likely than not to be realized. This determination is subjective and subject to many assumptions and factors including: profitability of our business in the future, the timing of that future income as compared to carryforward asset expiration, the character of future income (ordinary or capital), and the jurisdiction in which the income will be generated in. To the extent management's determination changes, an adjustment will be made to the valuation allowance resulting in deferred tax expense or benefit. We recorded deferred tax benefit in 2021 because expectations of future income increased and the Company reduced the valuation allowance it had applied against carryforward assets. The Company recorded deferred tax expense in 2022 because of expectations of future income decreased and the Company increased the valuation allowance it had applied against carryforward assets. Because of magnitude of the Company's carryforward assets as well as the volatility of the Company's operating results, significant adjustments to the valuation allowance are likely going forward. These future adjustments may likewise result in material amounts of deferred tax benefit or expense going forward.

#### *Net Income/ (Loss) Attributable to the Non-Convertible Non-Controlling Interest*

Net income / (loss) attributable to the non-convertible non-controlling interest for the years ended December 31, 2022 and 2021 was comprised of the non-controlling interest related to member interests in consolidated subsidiaries of the Operating LLC other than interests held by us for the relevant periods. These interests are not convertible into Common Stock.

	Year Ended December 31,		
	2022	2021	Change
Insurance SPAC Sponsor Entities	\$ -	\$ 3,560	\$ (3,560)
Insurance SPAC II Sponsor Entities	-	17,644	(17,644)
Insurance SPAC III Sponsor Entities	(4,808)	(615)	(4,193)
Other	(18,395)	14,985	(33,380)
	<u>\$ (23,203)</u>	<u>\$ 35,574</u>	<u>\$ (58,777)</u>

Insurance SPAC Sponsor Entities, Insurance SPAC II Sponsor Entities, and Insurance SPAC III Sponsor Entities are the Sponsor Entities formed by us for our sponsored SPACs. Other is mainly comprised of an entity which we consolidate but do not wholly own that invests in other SPAC Sponsor Entities.

*Net Income / (Loss) Attributable to the Convertible Non-controlling Interest*

Net income / (loss) attributable to the convertible non-controlling interest for the years ended December 31, 2022 and 2021 was comprised of the non-controlling interest related to member interests in the Operating LLC other than interests held by us for the relevant periods.

SUMMARY CALCULATION OF CONVERTIBLE NON-CONTROLLING INTEREST  
For the Year Ended December 31, 2022

	Wholly Owned Subsidiaries	Other Consolidated Subsidiaries	Total Operating LLC Consolidated	Cohen & Company Inc.	Consolidated
Net income / (loss) before tax	\$ (20,287)	\$ (33,589)	\$ (53,876)	\$ -	\$ (53,876)
Income tax expense / (benefit)	(381)	182	(199)	4,993	4,794
Net income / (loss) after tax	(19,906)	(33,771)	(53,677)	(4,993)	(58,670)
Other consolidated subsidiary non-controlling interest		(23,203)	(23,203)		
Net income / (loss) attributable to the Operating LLC	(19,906)	(10,568)	(30,474)		
Average effective Operating LLC non-controlling interest % (1)			72.45%		
Operating LLC non-controlling interest			<u>\$ (22,078)</u>		
Summary					
Other consolidated subsidiary non-controlling interest			\$ (23,203)		
Operating LLC non-controlling interest			(22,078)		
			<u>\$ (45,281)</u>		

SUMMARY CALCULATION OF CONVERTIBLE NON-CONTROLLING INTEREST  
For the Year Ended December 31, 2021

	Wholly Owned Subsidiaries	Other Consolidated Subsidiaries	Total Operating LLC Consolidated	Cohen & Company Inc.	Consolidated
Net income / (loss) before tax	\$ 1,529	\$ 68,968	\$ 70,497	\$ -	\$ 70,497
Income tax expense / (benefit)	(2,829)		(2,829)	(712)	(3,541)
Net income / (loss) after tax	4,358	68,968	73,326	712	74,038
Other consolidated subsidiary non-controlling interest	-	35,574	35,574		
Net income / (loss) attributable to the Operating LLC	4,358	33,394	37,752		
Average effective Operating LLC non-controlling interest % (1)			70.61%		
Operating LLC non-controlling interest			<u>\$ 26,656</u>		
Summary					
Other consolidated subsidiary non-controlling interest			\$ 35,574		
Operating LLC non-controlling interest			26,656		
			<u>\$ 62,230</u>		

- (1) Non-controlling interest is recorded on a quarterly basis. Because earnings are recognized unevenly throughout the year and the non-controlling interest percentage may change during the period, the average effective non-controlling interest percentage may not equal the percentage at the end of any period or the simple average of the beginning and ending percentages.

*Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020*

The following table sets forth information regarding our consolidated results of operations for the years ended December 31, 2021 and 2020.

**COHEN & COMPANY INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in Thousands)

	Year Ended December 31,		Favorable / (Unfavorable)	
	2021	2020	\$ Change	% Change
<b>Revenues</b>				
Net trading	\$ 69,385	\$ 73,611	\$ (4,226)	(6)%
Asset management	10,923	8,759	2,164	25%
New issue and advisory	28,736	2,234	26,502	1186%
Principal transactions and other income	37,324	45,506	(8,182)	(18)%
Total revenues	146,368	130,110	16,258	12%
<b>Operating expenses</b>				
Compensation and benefits	85,048	59,902	(25,146)	(42)%
Business development, occupancy, equipment	3,365	2,708	(657)	(24)%
Subscriptions, clearing, and execution	10,307	9,887	(420)	(4)%
Professional fee and other operating	7,684	7,068	(616)	(9)%
Depreciation and amortization	371	334	(37)	(11)%
Impairment of goodwill	-	7,883	7,883	NM
Total operating expenses	106,775	87,782	(18,993)	(22)%
Operating income / (loss)	39,593	42,328	(2,735)	(6)%
<b>Non-operating income / (expense)</b>				
Interest expense, net	(7,233)	(9,589)	2,356	25%
Income / (loss) from equity method affiliates	36,010	(2,955)	38,965	1319%
Other non-operating income	2,127	-	2,127	NM
Income / (loss) before income taxes	70,497	29,784	40,713	137%
Income tax expense / (benefit)	(3,541)	(8,669)	(5,128)	(59)%
Net income / (loss)	74,038	38,453	35,585	93%
Less: Net income (loss) attributable to the non-convertible non-controlling interest	35,574	10,048	(25,526)	(254)%
Enterprise net income (loss)	38,464	28,405	10,059	35%
Less: Net income (loss) attributable to the convertible non-controlling interest	26,656	14,200	(12,456)	(88)%
Net income / (loss) attributable to Cohen & Company Inc.	\$ 11,808	\$ 14,205	\$ (2,397)	(17)%

*Revenues*

Revenues increased by \$16,258, or 12%, to \$146,368 for the year ended December 31, 2021, as compared to \$130,110 for the year ended December 31, 2020. As discussed in more detail below, the change was comprised of (i) a decrease of \$4,226 in net trading revenue; (ii) an increase of \$2,164 in asset management revenue; (iii) an increase of \$26,502 in new issue and advisory revenue; and (iv) a decrease of \$8,182 in principal transactions and other income.

## Net Trading

Net trading revenue decreased by \$4,226, or 6%, to \$69,385 for the year ended December 31, 2021, as compared to \$73,611 for the year ended December 31, 2020. The following table shows the detail by trading group.

### NET TRADING (Dollars in Thousands)

	For the Year Ended December 31,		
	2021	2020	Change
Mortgage	\$ 6,885	\$ 9,641	\$ (2,756)
Matched book repo	46,139	33,980	12,159
High yield corporate	10,390	8,342	2,048
Investment grade corporate	593	9,978	(9,385)
Wholesale and other	5,378	11,670	(6,292)
Total	<u>\$ 69,385</u>	<u>\$ 73,611</u>	<u>\$ (4,226)</u>

Our net trading revenue includes unrealized gains on our trading investments as of the applicable measurement date, which may never be realized due to changes in market or other conditions not in our control. This may adversely affect the ultimate value realized from these investments. In addition, our net trading revenue also includes realized gains on certain proprietary trading positions. Our ability to derive trading gains from such trading positions is subject to overall market conditions. Due to volatility and uncertainty in the capital markets, the net trading revenue recognized during any year may not be indicative of future results. Furthermore, from time to time, some of the assets included in the Investments-trading line of our consolidated balance sheets represent level 3 valuations within the FASB valuation hierarchy. Level 3 assets are carried at fair value based on estimates derived using internal valuation models and other estimates. See notes 8 and 9 to our consolidated financial statements included in this Annual Report on Form 10-K. The fair value estimates determined by us may not be indicative of the final sale price at which these assets may be sold.

We consider our matched book repo business to be subject to significant concentration risk. See note 11 to our consolidated financial statements included in Item 1 of this Annual Report on Form 10-K.

## Asset Management

Asset management fees increased by \$2,164, or 25%, to \$10,923 for the year ended December 31, 2021, as compared to \$8,759 for the year ended December 31, 2020, as discussed in more detail below.

### ASSET MANAGEMENT (Dollars in Thousands)

	For the Year Ended December 31,		
	2021	2020	Change
CDOs	\$ 2,484	\$ 3,407	\$ (923)
Other	8,439	5,352	3,087
Total	<u>\$ 10,923</u>	<u>\$ 8,759</u>	<u>\$ 2,164</u>

A significant portion of our asset management fees are earned from the management of CDOs. We have not completed a new securitization since 2008. As a result, our asset management revenue from CDOs has declined from its historical highs as the assets of the CDOs decline due to maturities, repayments, auction call redemptions, and defaults. Our ability to complete securitizations in the future will depend upon, among other things, our asset origination capacity and success, our ability to arrange warehouse financing to originate assets, our willingness and capacity to fund required amounts to obtain warehouse financing and securitized financings, and the demand in the markets for such securitizations.

Asset management fees from CDOs declined mainly due to a decline in AUM due to CDO auctions, liquidations, our removal as manager of one CDO, and principal paydowns of collateral. Asset management fees from other investment vehicles increased primarily due to increased incentive fees earned on the SPAC Fund as well as increased fees on certain European separate accounts and investment funds.

## New Issue and Advisory Revenue

New issue and advisory revenue increased by \$26,502, or 1186%, to \$28,736 for the year ended December 31, 2021, as compared to \$2,234 for the year ended December 31, 2020.

	Year Ended December 31,		
	2021	2020	Change
Cohen & Company Capital Markets	\$ 22,676	\$ -	\$ 22,676
Commercial Real Estate Originations	1,428	-	1,428
US Insurance Originations	1,940	500	1,440
Europe Insurance Originations	2,692	1,734	958
Total	<u>\$ 28,736</u>	<u>\$ 2,234</u>	<u>\$ 26,502</u>

Our revenue earned from new issue and advisory has been, and we expect will continue to be, volatile. We earn revenue from a limited number of engagements. Therefore, a small change in the number of engagements can result in large fluctuations in the revenue recognized. Further, even if the number of engagements remains consistent, the average revenue per engagement can fluctuate considerably. Finally, our revenue is generally earned when an underlying transaction closes (rather than on a monthly or quarterly basis). Therefore, the timing of underlying transactions increases the volatility of our revenue recognition. In addition, we often incur certain costs related to new issue engagements. These costs are included as a component of either subscriptions, clearing and execution, or professional fees and other and will generally be recognized in the same period that the related revenue is recognized.

CCM is our full-service boutique investment bank, which focuses on M&A, capital markets, and SPAC advisory, which generates new issue placement and advisory revenue from clients. In addition, we generate new issue revenue by originating new assets for the U.S. Insurance JV, CREO JV, and for our PriDe funds in Europe.

## Principal Transactions and Other Income

Principal transactions and other income decreased by \$8,182 to \$37,324 for the year ended December 31, 2021, as compared to \$45,506 for the year ended December 31, 2020.

### PRINCIPAL TRANSACTIONS & OTHER INCOME (Dollars in Thousands)

	For the Year Ended December 31,		
	2021	2020	Change
SFT	\$ (5,258)	\$ 40,619	\$ (45,877)
LMND	43,655	-	43,655
IMXI	318	2,703	(2,385)
WEJO	(3,160)	-	(3,160)
REE	(2,939)	-	(2,939)
ML	(988)	-	(988)
BKSY	(914)	-	(914)
CLO Investments	-	(535)	535
Other SPAC equity	3,094	1,503	1,591
Stoa USA Inc. / FlipOs	1,805	-	1,805
U.S. Insurance JV	142	222	(80)
SPAC Fund	474	183	291
Other principal investments	(45)	7	(52)
Total principal transactions	36,184	44,702	(8,518)
			-
IIFC revenue share	634	491	143
All other income / (loss)	506	313	193
Other income	1,140	804	336
Total principal transactions and other income	<u>\$ 37,324</u>	<u>\$ 45,506</u>	<u>\$ (8,182)</u>

## Principal Transactions

For all investments discussed below, see note 9 to our consolidated financial statements included in this Annual Report on Form 10-K for information about how we determine the value of these instruments. For several of the investments described below, we also had an investment in the same company which was accounted for under the equity method during the periods presented. See discussion of equity method income / (loss) below.

SFT is a publicly traded company. In the periods presented, the shares of SFT we held were comprised of both unrestricted and restricted shares and were carried at fair value. For a portion of the period we held these shares, they were held in majority owned consolidated subsidiaries (the Insurance SPAC Sponsor Entities). Accordingly, there were significant non-controlling interest and equity compensation expense associated with these. See discussion of non-convertible non-controlling interest and equity compensation expense below.

LMND is a publicly traded company. In the periods presented, the shares of LMND we held were comprised of both unrestricted and restricted shares and were carried at fair value. For a portion of the period we held these shares, they were held in majority owned consolidated subsidiaries (the Insurance SPAC II Sponsor Entities). Accordingly, there were significant non-controlling interest and equity compensation expense associated with these. See discussion of non-convertible non-controlling interest and equity below.

IMXI represents equity positions of International Money Express, Inc. (NASDAQ: IMXI), a publicly traded company that resulted from the merger of Intermex Holdings, LLC and FinTech Acquisition Corp. II.

WEJO represents equity positions of Wejo Group, Ltd. (NASDAQ: WEJO), a publicly traded company that closed its business combination with Virtuoso Acquisition Corp.

REE represents equity positions of REE Automotive Ltd. (NASDAQ: REE), a publicly traded company that closed its business combination with 10X Capital Venture Acquisition Corp.

ML represents equity positions of MoneyLion, Inc. (NYSE: ML), a publicly traded company that closed its business combination with Fusion Acquisition Corp.

BKSY represents equity positions of Blacksky Technology Inc. (NYSE: BKSY), a publicly traded company that closed its business combination with Osprey Technologies Acquisition Corp.

The CLO investments represent investments in the most junior tranche of certain CLOs. These investments were carried at fair value. These investments were fully liquidated in 2020.

Other SPAC equity represents equity investments in publicly traded SPACs or their successor public companies carried at fair value.

Stoa USA Inc. / FlipOs is a private company in which we own common equity. We carry our investment at fair value.

The U.S. Insurance JV invests in insurance company debt. We carry our investment in the U.S Insurance JV at its reported NAV.

The SPAC Fund invests in the equity of SPACs. We carry our investment in the SPAC Fund at its reported NAV.

Other principal investments consist of realized and unrealized gains and losses from other investments reported at fair value.



### *Other Income*

Other income increased by \$336 to \$1,140 for the year ended December 31, 2021, as compared to \$804 for the year ended December 31, 2020. The revenue share arrangement noted in the table above entitles us to a percentage of revenue earned by IIFC. The IIFC revenue share arrangement expires at the earlier of (i) the dissolution of IIFC or (ii) when we have earned a cumulative \$20,000 in revenue share payments. As of December 31, 2022, we have earned \$4,513. In addition, in any particular year, the revenue share earned by us cannot exceed \$2,000.

### *Operating Expenses*

Operating expenses increased by \$18,993, or 22%, to \$106,775 for the year ended December 31, 2021, as compared to \$87,782 for the year ended December 31, 2020. As discussed in more detail below, the change was comprised of (i) an increase of \$25,146 in compensation and benefits; (ii) an increase of \$657 in business development, occupancy, and equipment; (iii) an increase of \$420 in subscriptions, clearing, and execution; (iv) an increase of \$616 in professional fee and other operating; (v) an increase of \$37 in depreciation and amortization; and (vi) a decrease of \$7,883 in impairment of goodwill.

### *Compensation and Benefits*

Compensation and benefits increased by \$25,146, or 42%, to \$85,048 for the year ended December 31, 2021, as compared to \$59,902 for the year ended December 31, 2020.

#### COMPENSATION AND BENEFITS (Dollars in Thousands)

	For the Year Ended December 31,		
	2021	2020	Change
Cash compensation and benefits	\$ 69,330	\$ 47,349	\$ 21,981
Equity-based compensation	15,718	12,553	3,165
Total	<u>\$ 85,048</u>	<u>\$ 59,902</u>	<u>\$ 25,146</u>

Cash compensation and benefits in the table above is primarily comprised of salary, incentive compensation, severance, employer portion of payroll taxes, and benefits. Cash compensation and benefits increased by \$21,981 to \$69,330 for the year ended December 31, 2021, as compared to \$47,349 for the year ended December 31, 2020. Our headcount increased to 118 as of December 31, 2021 from 87 as of December 31, 2020. Cash compensation increased primarily due to an increase in incentive compensation related to the increase in overall revenue and the increase in income from equity method affiliates.

Equity-based compensation increased by \$3,165 to \$15,718 for the year ended December 31, 2021, as compared to \$12,553 for the year ended December 31, 2020. Of the \$15,718 of equity compensation recognized in 2021, \$13,068 was due to equity compensation related to the issuance of membership units of the Insurance SPAC II Sponsor Entities to employees of the Company. The expense was recognized upon the completion of the merger between Insurance SPAC II and MetroMile on February 9, 2021. Of the \$12,553 of equity compensation recognized in 2020, \$11,700 was due to equity-based compensation related to the issuance of membership units of the Insurance SPAC Sponsor Entities to employees of the Company. This expense was recognized upon the completion of the merger between the Insurance SPAC and Shift in October 2020. No further equity-based compensation expense will be recognized related to membership units of the Insurance SPAC Sponsor Entities or the Insurance SPAC II Sponsor Entities in the future.

The remaining equity-based compensation recognized during 2021 and 2020 relates to restricted grants of the Company's Common Stock and Operating LLC units. This amount increased by \$1,797 to \$2,650 for the year ended December 31, 2021 as compared to \$853 for the year ended December 31, 2020. This increase was due to increased share grants and a higher share price impact during 2021 as compared to 2020.

### *Business Development, Occupancy, and Equipment*

Business development, occupancy, and equipment increased by \$657, or 24%, to \$3,365 for the year ended December 31, 2021, as compared to \$2,708 for the year ended December 31, 2020. This was comprised of an increase in business development expense of \$443 and an increase in occupancy and equipment of \$214. Business development increased due to increased travel in 2021 due to a general reduction in pandemic restrictions. The increase in occupancy and equipment expense was mainly due to increased rent due to our new Menlo Park office in California and other office lease renewals at higher rates.

### *Subscriptions, Clearing, and Execution*

Subscriptions, clearing, and execution increased by \$420, or 4%, to \$10,307 for the year ended December 31, 2021, as compared to \$9,887 for the year ended December 31, 2020. This was comprised of an increase in clearing and execution costs of \$548 partially offset by a decrease in subscriptions and dues of \$128. The decrease in subscriptions and dues was due to normal fluctuations in number of subscriptions. The increase in clearing and execution was due to increased trading volumes.

### *Professional Fee and Other Operating Expenses*

Professional fee and other operating expenses increased by \$616, or 9%, to \$7,684 for the year ended December 31, 2021, as compared to \$7,068 for the year ended December 31, 2020. This was comprised of an increase in other operating expense of \$738; partially offset by a decrease in professional fees of \$122. The increase in other operating expense was mainly due to increase in operating taxes (taxes not based on income and not included as part of the provision for income taxes) in Philadelphia, Pennsylvania. The decrease in professional fees was mainly due to a reduction in consultant usage.

### *Depreciation and Amortization*

Depreciation and amortization increased by \$37, or 11%, to \$371 for the year ended December 31, 2021, as compared to \$334 for the year ended December 31, 2020.

### *Impairment of Goodwill*

We determined the financial market volatility, as well as the reduction in volumes in the GCF repo and TBA businesses that resulted from COVID-19 was a triggering event that required us to reassess the goodwill we had recorded related to JVB under the guidance of ASC 350. We ultimately exited the GCF business in 2021. We determined that the fair value of JVB was less than its carrying value (including the goodwill). As a result, we recorded an impairment of \$7,883 in 2020. See note 13 to our consolidated financial statements included in this Annual Report on Form 10-K.

### *Non-Operating Income and Expense*

#### *Interest Expense, net*

Interest expense, net decreased by \$2,356, or 25%, to \$7,233 for the year ended December 31, 2021, as compared to \$9,589 for the year ended December 31, 2020.

#### INTEREST EXPENSE (Dollars in Thousands)

	For the Year Ended December 31,		
	2021	2020	Change
Junior subordinated notes	\$ 2,601	\$ 2,882	\$ (281)
2020 Senior Notes	540	496	44
2013 Convertible Notes / 2019 Senior Notes	211	336	(125)
2017 Convertible Note	1,534	1,505	29
Line of Credit (Byline / FT)	435	1,102	(667)
Redeemable Financial Instrument - DGC Trust / CBF	197	1,490	(1,293)
Redeemable Financial Instrument - JKD Capital Partners I LTD	1,715	1,883	(168)
Redeemable Financial Instrument - ViaNova Capital Group, LLC	-	(105)	105
	<u>\$ 7,233</u>	<u>\$ 9,589</u>	<u>\$ (2,356)</u>

See notes 19 and 20 to our consolidated financial statements included in this Annual Report on Form 10-K.

### Income / (loss) from Equity Method Affiliates

Income / (loss) from equity method affiliates increased by \$38,965 to \$36,010 for the year ended December 31, 2021, as compared to (\$2,955) for the year ended December 31, 2020. See note 12 to our consolidated financial statements included in this Annual Report on Form 10-K.

	Year Ended December 31,		
	2021	2020	Change
Insurance SPACs	\$ (1,306)	\$ (3,656)	\$ 2,350
SPAC Sponsor Entities	37,453	63	37,390
Dutch Real Estate Entities	(137)	638	(775)
	<u>\$ 36,010</u>	<u>\$ (2,955)</u>	<u>\$ 38,965</u>

SPAC Sponsor Entities includes both indirect and direct investments in SPAC Sponsor Entities. Several of these SPAC Sponsor Entities are invested in SPACs that have completed their respective business combinations. Those SPAC Sponsor Entities hold restricted and unrestricted equity interests in the public post-merger entities. We account for our investments in SPAC Sponsor Entities under the equity method of accounting. If the SPAC Sponsor Entity distributes SPAC shares to us, we account for those SPAC shares as a component of other investments, at fair value. The following table shows the equity method balance included in other SPAC Sponsor Entities above broken out by the ultimate public company investee. For several of the investments described below, we also had an investment in the same company accounted for at fair value as a component of other investments, at fair value during the periods presented. See discussion of principal transactions above.

	Year Ended December 31,		
	2021	2020	Change
HLGN	\$ 28,443	\$ -	\$ 28,443
WEJO	1,962	-	1,962
REE	2,489	-	2,489
PAYO	2,993	(9)	3,002
PWP	1,293	(7)	1,300
ACHR	728	-	728
Other	(455)	79	(534)
	<u>\$ 37,453</u>	<u>\$ 63</u>	<u>\$ 37,390</u>

### Other Non-Operating (Income) / Loss

We recorded other non-operating income of \$2,127 for the year ended December 31, 2021 as a result of the forgiveness of our PPP loan. See note 20 to our consolidated financial statements included in this Annual Report on Form 10-K.

### Income Tax Expense / (Benefit)

Income tax expense / (benefit) was (\$3,541) for the year ended December 31, 2021, as compared to (\$8,669) for the year ended December 31, 2020.

The tax benefit recognized in 2021 was comprised of a deferred tax benefit of \$4,117, partially offset by current tax expense of \$576. The current tax expense incurred was the result of foreign, state, and local income tax. The deferred tax benefit was a U.S. federal, state, and local tax benefit, which was the result of the reduction in the valuation allowance applied against the Company's net operating loss carryforward ("NOL") and net capital loss carryforward ("NCL") tax assets.

The tax expense recognized in 2020 was comprised of a deferred tax benefit of \$8,877, partially offset by current tax expense of \$208. The current tax expense incurred was the result of foreign, state, and local income tax. The deferred tax expense was a U.S. federal, state, and local tax benefit, which was the result of the increase in the valuation allowance applied against the Company's NOL and NCL tax assets.

We have significant carryforward tax assets. ASC 746 requires that we record a valuation allowance against these assets so that the net asset recognized is, in management's judgment, more likely than not to be realized.

Each reporting period, management determines the expected amount of taxable income it will generate in each jurisdiction where the Company has NOLs. Management then schedules this income against each carryforward asset and determines what portion of the asset it believes is more likely than not to be realized. This determination is subjective and subject to many assumptions and factors including: profitability of our business in the future, the timing of that future income as compared to carryforward asset expiration, the character of future income (ordinary or capital), and the jurisdiction the income will be generated in. To the extent management's determination changes, an adjustment will be made to the valuation allowance resulting in deferred tax expense or benefit. We recorded deferred tax benefit in 2021 because expectations of future income increased and the Company reduced the valuation allowance it had applied against carryforward assets. The Company recorded deferred tax benefit in 2020 because of expectations of future income increased and the Company decreased the valuation allowance it had applied against carryforward assets. Because of magnitude of the Company's carryforward assets as well as the volatility of the Company's operating results, significant adjustments to the valuation allowance are likely going forward. These future adjustments will likewise result in material amounts of deferred tax benefit or expense going forward.

*Net Income / (Loss) Attributable to the Non-Convertible Non-Controlling Interest*

Net income / (loss) attributable to the non-convertible non-controlling interest for the years ended December 31, 2021 and 2020 was comprised of the non-controlling interest related to member interests in consolidated subsidiaries of the Operating LLC other than interests held by us for the relevant periods. These interests are not convertible into Common Stock.

	Year Ended December 31,		
	2021	2020	Change
Insurance SPAC Sponsor Entities	\$ 3,560	\$ 9,328	\$ (5,768)
Insurance SPAC II Sponsor Entities	17,644	(262)	17,906
Insurance SPAC III Sponsor Entities	(615)	(16)	(599)
Other	14,985	998	13,987
	<u>\$ 35,574</u>	<u>\$ 10,048</u>	<u>\$ 25,526</u>

Insurance SPAC Sponsor Entities, Insurance SPAC II Sponsor Entities, and Insurance SPAC III Sponsor Entities were the Sponsor Entities formed by us for our sponsored SPACs. Other is comprised of our investments in certain SPAC Pipe Entities which themselves invest in Pipe's (Private Investment in Public Equity) of post business combination SPACs as well as an entity which we consolidate but do not wholly own that invests in other SPAC Sponsor Entities.

*Net Income / (Loss) Attributable to the Convertible Non-Controlling Interest*

Net income / (loss) attributable to the convertible non-controlling interest for the years ended December 31, 2021 and 2020 was comprised of the non-controlling interest related to member interests in the Operating LLC other than interests held by us for the relevant periods.

SUMMARY CALCULATION OF CONVERTIBLE NON-CONTROLLING INTEREST  
For the Year Ended December 31, 2021

	Wholly Owned Subsidiaries	Other Consolidated Subsidiaries	Total Operating LLC Consolidated	Cohen & Company Inc.	Consolidated
Net income / (loss) before tax	\$ 1,529	\$ 68,968	\$ 70,497	\$ -	\$ 70,497
Income tax expense / (benefit)	(2,829)	-	(2,829)	(712)	(3,541)
Net income / (loss) after tax	4,358	68,968	73,326	712	74,038
Other consolidated subsidiary non-controlling interest	-	35,574	35,574		
Net income / (loss) attributable to the Operating LLC	4,358	33,394	37,752		
Average effective Operating LLC non-controlling interest % (1)			70.61%		
Operating LLC non-controlling interest			<u>\$ 26,656</u>		
Summary					
Other consolidated subsidiary non-controlling interest			\$ 35,574		
Operating LLC non-controlling interest			26,656		
			<u>\$ 62,230</u>		

SUMMARY CALCULATION OF CONVERTIBLE NON-CONTROLLING INTEREST  
For the Year Ended December 31, 2020

	Wholly Owned Subsidiaries	Other Consolidated Subsidiaries	Total Operating LLC Consolidated	Cohen & Company Inc.	Consolidated
Net income / (loss) before tax	\$ 4,951	\$ 24,833	\$ 29,784	\$ -	\$ 29,784
Income tax expense / (benefit)	187	-	187	(8,856)	(8,669)
Net income / (loss) after tax	4,764	24,833	29,597	8,856	38,453
Other consolidated subsidiary non-controlling interest	-	10,048	10,048		
Net income / (loss) attributable to the Operating LLC	4,764	14,785	19,549		
Average effective Operating LLC non-controlling interest % (1)			72.64%		
Operating LLC non-controlling interest			<u>\$ 14,200</u>		
Summary					
Other consolidated subsidiary non-controlling interest			\$ 10,048		
Operating LLC non-controlling interest			14,200		
			<u>\$ 24,248</u>		

- (1) Non-controlling interest is recorded on a quarterly basis. Because earnings are recognized unevenly throughout the year and the non-controlling interest percentage may change during the period, the average effective non-controlling interest percentage may not equal the percentage at the end of any period or the simple average of the beginning and ending percentages.

## Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements including ongoing commitments to repay debt borrowings, make interest payments on outstanding borrowings, fund investments, and support other general business purposes. In addition, our United States and European broker-dealer subsidiaries are subject to certain regulatory requirements to maintain minimum levels of net capital. Historically, our primary sources of funds have been our operating activities and general corporate borrowings. In addition, our trading operations have generally been financed by use of collateralized securities financing arrangements as well as margin loans.

Certain subsidiaries of the Operating LLC have restrictions on the withdrawal of capital and otherwise in making distributions and loans. JVB is subject to net capital restrictions imposed by the SEC and FINRA that require certain minimum levels of net capital to remain in this subsidiary. In addition, these restrictions could potentially impose notice requirements or limit our ability to withdraw capital above the required minimum amounts (excess capital) whether through a distribution or a loan. CCFEL was regulated by the CBI. CCFESA is subject to the regulations of the ACPR. CBI and ACPR impose minimum capital requirements. See note 25 to our consolidated financial statements included in this Annual Report on Form 10-K.

### *Dividends and Distributions*

During the third quarter of 2010, our board of directors initiated a dividend of \$0.50 per quarter, which was paid regularly through December 31, 2011. Beginning in 2012, our board of directors declared a dividend of \$0.20 per quarter, which was paid regularly through the first quarter of 2019. Each time a cash dividend was declared by our board of directors, a pro rata distribution was made to the other members of the Operating LLC upon payment of dividends to our stockholders.

On July 29, 2021, our board of directors reinstated our quarterly dividend declaring a cash dividend of \$0.25 per share. We have paid a quarterly cash dividend of \$0.25 regularly since that date. In addition to our routine quarterly distribution, on March 8, 2022, our board of directors declared a special cash dividend of \$0.75 per share. On March 8, 2023, our board of directors declared a quarterly dividend of \$0.25 per share payable on April 5, 2023 to shareholders of record on March 22, 2023.

### *Repurchases of Common Stock*

On December 21, 2020 and August 31, 2020, the Company entered into letter agreements (the "December 2020 Letter Agreement" and the "August 2020 Letter Agreement," respectively and, together, the "10b5-1 Plan"). The December 2020 Letter Agreement and the August 2020 Letter Agreement were entered into with Piper Sandler & Co. (the "Agent"). The agreements authorized the Agent to use reasonable efforts to purchase, on the Company's behalf, up to an aggregate purchase price of \$1,000 of Common Stock (in the case of the December 2020 letter) and \$2,000 (in the case of the August 2020 letter) on any day that the NYSE was open for business. The December 2020 Letter Agreement became effective December 23, 2020 and was in effect until December 31, 2021 or until an aggregate purchase price of \$1,000 shares had been purchased, which occurred on July 28, 2021. The August 2020 Letter Agreement was in effect from August 31, 2020 until August 31, 2021 or until an aggregate purchase price of \$2,000 shares had been purchased, which occurred on November 10, 2020. Pursuant to the 10b5-1 Plan, purchases of Common Stock may be made in public and private transactions and must comply with Rule 10b-18 under the Exchange Act. The 10b5-1 Plan was designed to comply with Rule 10b5-1 under the Exchange Act.

During the twelve months ended December 31, 2021, pursuant to the 10b-5-1 Plan, the Company repurchased 49,544 shares of Common Stock in the open market for a total purchase price of \$857. During the twelve months ended December 31, 2020, pursuant to the 10b5-1 Plan, the Company repurchased 121,181 shares of Common Stock in the open market for a total purchase price of \$2,143.

### *Issuances of Common Stock*

On December 1, 2020, the Company entered into an Equity Distribution Agreement (the "Equity Agreement") with Northland Securities, Inc. (trade name Northland Capital Markets), as sales agent (the "Sales Agent"), relating to the issuance and sale from time to time by the Company (the "ATM Program"), through the Sales Agent, of shares of the Company's Common Stock, having an aggregate offering price of up to \$75,000 (collectively the "Shares"). Sales of the Shares, if any, under the Equity Agreement will be made in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act as agreed with the Sales Agent.

On June 7, 2021, the Company entered into a letter agreement (the "Equity Distribution Letter Agreement") with the Sales Agent, pursuant to which the Sales Agent agreed to use its best efforts to, commencing on June 5, 2021, sell on the Company's behalf up to \$7,966 of the Shares in the open market pursuant to the terms and conditions of the Equity Distribution Agreement and the Equity Distribution Letter Agreement, and the Company agreed not to take any action that would cause the sales of the Shares under the Letter Agreement not to comply with Rule 10b5-1 or Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Equity Distribution Letter Agreement was entered into in connection with the ATM Program and was designed to comply with Rule 10b5-1 under the Exchange Act.

During 2021, we issued 300,859 shares of Common Stock for a total price of \$9,076. During 2022, we did not issue shares of Common Stock. These amounts do not include shares issued for equity compensation to employees.

During the years ended December 31, 2022, 2021, and 2020, we had the following other significant financing transactions. This excludes non-cash transactions. See notes 19 and 20 in our consolidated financial statements included in our Annual Report on Form 10-K.

During 2022:

- o We issued a new 2020 Senior Note for \$2,250 and used the proceeds to pay off an existing 2020 Senior Note
- o We paid dividends of \$2,258 and distributions to the convertible non-controlling interest of \$6,485
- o We paid distributions of \$2,236 to non-convertible non-controlling interest.

During 2021:

- o We drew and repaid \$17,500 on a revolving line of credit.
- o We repaid \$2,400 of the 2019 Senior Note
- o We repaid \$4,000 of redeemable financial instruments.
- o We paid dividends of \$671 and distributions to the convertible non-controlling interest of \$1,970
- o We raised \$17,095 from investments by non-convertible non-controlling interest.
- o We paid distributions of \$2,735 to the non-convertible non-controlling interest.

During 2020:

- o We drew and repaid \$17,500 on a revolving line of credit.
- o We received \$2,166 in proceeds on the PPP loan.
- o We raised \$4,500 in proceeds from issuance of the 2020 Senior Notes.
- o We repaid \$9,163 of debt which included the Legacy Texas Credit Facility and the 2019 Senior Notes.
- o We repaid \$4,921 of redeemable financial instruments.
- o We raised \$13,489 from investments by non-convertible non-controlling interest.

### **Cash Flows**

We have seven primary uses for capital:

- (1) *To fund the operations of our Capital Markets business segment.* Our Capital Markets business segment utilizes capital (i) to fund securities inventory to facilitate client trading activities; (ii) for risk trading for our own account; (iii) to fund our collateralized securities lending activities; (iv) for temporary capital needs associated with underwriting activities; (v) to fund business expansion into existing or new product lines including additional capital dedicated to our mortgage group as well as our matched book repo business; and (vi) to fund any operating losses incurred.
- (2) *To fund the expansion of our Asset Management business segment.* We generally grow our AUM by sponsoring new Investment Vehicles. The creation of a new Investment Vehicle often requires us to invest a certain amount of our own capital to attract outside capital to manage. Also, these new Investment Vehicles often require warehouse and other third-party financing to fund the acquisition of investments. Finally, we generally will hire employees to manage new Investment Vehicles and will operate at a loss for a startup period.
- (3) *To fund investments.* We make principal investments (including sponsor and other investments in SPACs) to generate returns. We may need to raise additional debt or equity financing in order to ensure we have the capital necessary to take advantage of attractive investment opportunities.
- (4) *To fund mergers or acquisitions.* We may opportunistically use capital to acquire other asset managers, individual asset management contracts, or financial services firms. To the extent our liquidity sources are insufficient to fund our future merger or acquisition activities, we may need to raise additional funding through an equity or debt offering. No assurances can be given that additional financing will be available in the future, or that if available, such financing will be on favorable terms.
- (5) *To fund potential dividends and distributions.* We sometimes pay dividends. Each time a cash dividend was declared by our board of directors, a pro rata distribution was made to the other members of the Operating LLC upon payment of dividends to our stockholders.
- (6) *To fund potential repurchases of Common Stock.* We have opportunistically repurchased Common Stock in private transactions as well through the 10b5-1 Plan. See note 21 to our consolidated financial statements included in this Annual Report on Form 10-K.
- (7) *To pay off debt as it matures.* We have indebtedness that must be repaid as it matures. See note 20 to our consolidated financial statements included in this Annual Report on Form 10-K.



If we are unable to raise sufficient capital on economically favorable terms, we may need to reduce the amount of capital invested for the uses described above, which may adversely impact earnings and our ability to pay dividends.

As of December 31, 2022 and December 31, 2021, we maintained cash and cash equivalents of \$29,101 and \$50,567, respectively. We generated cash from or used cash for the activities described below.

SUMMARY CASH FLOW INFORMATION  
(Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash flow from operating activities	\$ (23,488)	\$ 18,321	\$ 41,435
Cash flow from investing activities	13,798	(22,534)	(11,948)
Cash flow from financing activities	(11,504)	13,161	3,789
Effect of exchange rate on cash	(272)	(377)	416
Net cash flow	(21,466)	8,571	33,692
Cash and cash equivalents, beginning	50,567	41,996	8,304
Cash and cash equivalents, ending	\$ 29,101	\$ 50,567	\$ 41,996

See the statements of cash flows in our consolidated financial statements. We believe our available cash and cash equivalents, as well as our investment in our trading portfolio and related borrowing capacity, will provide sufficient liquidity to meet the cash needs of our ongoing operations in the near term.

*2022 Cash Flows*

As of December 31, 2022, our cash and cash equivalents were \$29,101, representing a decrease of \$21,466 from December 31, 2021. The decrease was attributable to the cash used in operating activities of \$23,488, the cash provided by investing activities of \$13,798, the cash used in financing activities of \$11,504, and the decrease in cash resulting from a change in exchange rates of \$272.

The cash used in operating activities of \$23,488 was comprised of (a) net cash outflows of \$23,461 related to working capital fluctuations; (b) net cash inflows of \$4,365 from trading activities comprised of our investments-trading, trading securities sold, not yet purchased, securities sold under agreement to repurchase, receivables under resale agreements, and receivables and payables from brokers, dealers, and clearing agencies, as well as the changes in unrealized gains and losses on the investments-trading and trading securities sold, not yet purchased; and (c) net cash outflows from other earnings items of \$4,392 (which represents net income or loss adjusted for the following non-cash operating items: deferred taxes, other income / (expense), non-cash advisory revenue, realized and unrealized gains and losses on other investments, at fair value, other investments sold, not yet purchased, income / (loss) from equity method affiliates, equity-based compensation, depreciation, impairment of goodwill, and amortization).

The cash provided investing activities of \$13,798 was comprised of (a) \$27,091 in proceeds from sales of other investments, at fair value; (b) \$3,054 in proceeds from sales of other investments sold, not yet purchased, at fair value; and (c) \$77 in proceeds from distributions from equity method affiliates; partially offset by (d) \$7,236 in cash used to purchase other investments, at fair value; (e) \$6,001 in cash used to purchase other investments sold, not yet purchased, at fair value; (f) \$2,614 of cash used to invest in equity method affiliates; and (g) \$573 in purchases of furniture, equipment, and leasehold improvements.

The cash used in financing activities of \$11,504 was comprised of (a) \$2,250 of cash used to repay debt; (b) \$234 of cash used to settle equity awards; (c) \$2,558 of cash used to pay dividends on Common Stock; (d) \$6,485 in cash used for distributions to the convertible non-controlling interest; and (e) \$2,236 in cash used for distributions to the non-convertible non-controlling interests; partially offset by (f) \$2,250 in proceeds from the issuance of debt and (g) \$9 in cash proceeds from investments in the non-convertible non-controlling interests.

## 2021 Cash Flows

As of December 31, 2021, our cash and cash equivalents were \$50,567, representing an increase of \$8,571 from December 31, 2020. The increase was attributable to the cash provided by operating activities of \$18,321, the cash used in investing activities of \$22,534, the cash provided by financing activities of \$13,161, and the decrease in cash resulting from a change in exchange rates of \$377.

The cash provided by operating activities of \$18,321 was comprised of (a) net cash outflows of \$19,093 related to working capital fluctuations; (b) net cash inflows of \$24,813 from trading activities comprised of our investments-trading, trading securities sold, not yet purchased, securities sold under agreement to repurchase, receivables under resale agreements, and receivables and payables from brokers, dealers, and clearing agencies, as well as the changes in unrealized gains and losses on the investments-trading and trading securities sold, not yet purchased; and (c) net cash inflows from other earnings items of \$12,601 (which represents net income or loss adjusted for the following non-cash operating items: deferred taxes, other income / (expense), realized and unrealized gains and losses on other investments at fair value, other investments sold, not yet purchased, income / (loss) from equity method affiliates, equity-based compensation, depreciation, impairment of goodwill, and amortization).

The cash used in investing activities of \$22,534 was comprised of (a) \$123,098 in purchases of other investments at fair value; (b) \$59,098 in purchase of other investments sold, not yet purchased; (c) \$8,392 in investments in equity method affiliates; (d) \$1,028 in purchase of furniture, equipment, and leasehold improvements; partially offset by (e) \$112,013 in sales and returns of principal of other investments, at fair value; (f) \$56,820 in sales and returns of principal of other investments sold, not yet purchased; and (g) \$249 in distributions from equity method affiliates.

The cash provided by financing activities of \$13,161 was comprised of (a) \$17,500 in proceeds from draws on revolving credit facility; (b) \$9,076 in proceeds from sale of Common Stock; (c) \$17,095 in proceeds from non-controlling interest investments; partially offset by (d) \$17,500 in repayments on revolving credit facility; (e) \$2,400 of repayment of debt; (f) \$378 in cash used to net settle equity awards; (g) \$857 of cash used to repurchase and retire Common Stock; (h) \$2,734 in non-controlling interest distributions; (i) \$1,970 in Operating LLC non-controlling interest distributions; (j) \$4,000 in repayment of redeemable financial instrument, and (k) \$671 in cash used for dividend payments on Common Stock.

## 2020 Cash Flows

As of December 31, 2020, our cash and cash equivalents were \$41,996, representing an increase of \$33,692 from December 31, 2019. The increase was attributable to the cash provided by operating activities of \$41,435, the cash used in investing activities of \$11,948, the cash provided in financing activities of \$3,789, and the increase in cash resulting from a change in exchange rates of \$416.

The cash provided by operating activities of \$41,435 was comprised of (a) net cash inflows of \$79,555 related to working capital fluctuations; (b) net cash outflows of \$47,557 from trading activities comprised of our investments-trading, trading securities sold, not yet purchased, securities sold under agreement to repurchase, receivables under resale agreements, and receivables and payables from brokers, dealers, and clearing agencies, as well as the changes in unrealized gains and losses on the investments-trading and trading securities sold, not yet purchased; and (c) net cash inflows from other earnings items of \$9,437 (which represents net income or loss adjusted for the following non-cash operating items: deferred taxes, other income / (expense), realized and unrealized gains and losses on other investments at fair value, other investments sold, not yet purchased, income / (loss) from equity method affiliates, equity-based compensation, depreciation, impairment of goodwill, and amortization).

The cash used in investing activities of \$11,948 was comprised of (a) \$62,282 in purchases of other investments at fair value; (b) \$12,519 in purchase of other investments sold, not yet purchased; (c) \$12,675 in investments in equity method affiliates; (d) \$217 in purchase of furniture, equipment, and leasehold improvements; partially offset by (e) \$54,748 in sales and returns of principal of other investments, at fair value; and (f) \$20,997 in sales and returns of principal of other investments sold, not yet purchased.

The cash provided by financing activities of \$3,789 was comprised of (a) \$2,166 of proceeds from the PPP loan; (b) \$17,500 in draws on the FT LOC; (c) \$4,500 in proceeds from issuance of non-convertible debt; (d) \$13,489 in proceeds from issuance of non-controlling interests; partially offset by (e) \$17,500 in payments on the FT LOC; (f) \$9,163 in repayment of debt; (g) \$24 in debt issuance costs; (h) \$4,921 of repayments of redeemable financial instruments; (i) \$54 in cash used to net settle equity awards; (j) \$35 in non-controlling interest distributions; (k) \$27 in dividends paid; and (l) \$2,142 used to purchase and retire Common Stock.

### Note Regarding Collateral Deposits and Impact on Operating Cash Flow

As part of our matched book repo operations, we enter into reverse repos with counterparties whereby we lend money and receive securities as collateral. In accordance with ASC 860, the collateral securities are not recorded in our consolidated balance sheets. However, from time to time we will hold cash instead of securities as collateral for these transactions. When we are provided cash as collateral for reverse repo transactions, we will make an entry to increase our cash and cash equivalents and to increase our other liabilities for the amount of cash received. There are two main reasons we may receive collateral in the form of cash as opposed to securities. First, when the value of the collateral securities we have in our possession decline, we will require the counterparty to provide us with additional collateral. We will accept either cash or additional liquid securities. Often, our counterparties will provide us with cash as they may not have liquid securities readily available. Second, from time to time, our counterparties require a portion of the collateral securities in our possession returned to them for operating purposes. In such instances, the counterparty may not have substitute liquid securities available and will often provide us with cash as collateral instead. It is important to note that when we receive cash as collateral, it is temporary in nature and we have an obligation to return that cash when the counterparty provides substitute liquid securities as collateral or otherwise satisfies their associated reverse repo obligation. We are generally required to return any cash collateral the same business day that we receive substitute securities. The amount of cash we receive as collateral for our repo operations is volatile and therefore, both our cash and cash equivalents balance and our cash provided by and used in operations are volatile as they are both impacted. These amounts can be large and should be taken into account when analyzing our cash flow from operations.

The following table shows the impact of changes in these collateral deposits had on our cash flows in each period presented:

	Year Ended December 31,		
	2022	2021	2020
Cash collateral held from repo and or reverse repo counterparties - End of Period	\$ 4,301	\$ 17,320	\$ 41,119
Less: Cash collateral held from repo and or reverse repo counterparties - End of Period	17,320	41,119	9,524
Impact to cash flow from operations	<u>\$ (13,019)</u>	<u>\$ (23,799)</u>	<u>\$ 31,595</u>

## **Regulatory Capital Requirements**

We have two subsidiaries that are licensed securities dealers: JVB in the U.S. and CCFESA in France. As a U.S. broker-dealer, JVB is subject to the Uniform Net Capital Rule in Rule 15c3-1 under the Exchange Act. CCFESA is subject to the regulations of the ACPR. The amount of net assets that these subsidiaries may distribute is subject to restrictions under these applicable net capital rules. These subsidiaries have historically operated in excess of minimum net capital requirements. Our minimum capital requirements at December 31, 2022 were as follows.

### **MINIMUM NET CAPITAL REQUIREMENTS** (Dollars in Thousands)

U.S.	\$	250
France		512
Total	\$	762

We operate with more than the minimum regulatory capital requirement in our licensed broker-dealers and at December 31, 2022 total net capital, or the equivalent as defined by the relevant statutory regulations, in our licensed broker-dealers totaled \$48,106. See note 25 to our consolidated financial statements included in this Annual Report on Form 10-K. In addition, our licensed broker-dealers are generally subject to capital withdrawal notification requirements and restrictions.

## **Restrictions of Distributions of Capital from JVB**

As of December 31, 2022, our total equity on a consolidated basis was \$94,026. However, the total equity of JVB was \$94,302. Therefore, negative equity exists outside of JVB. During certain periods of time, we have generated losses or negative cash flow outside of JVB. We are dependent on taking distributions of income (and potentially returns of capital) from JVB to satisfy the cash needs outside of JVB, such as to cover losses incurred outside of JVB, to satisfy other obligations that come due outside of JVB, and to make investments outside of JVB. However, we are subject to significant limitations on our ability to make distributions from JVB. These limitations include limitations imposed by FINRA under rule 15c3-1 (described immediately above) and limitations under our line of credit with Byline Bank (see note 20 to our consolidated financial statements included in this Annual Report on Form 10-K). Furthermore, counterparties to JVB have their own internal counterparty credit requirements. The specific requirements are not generally shared with us. However, if we take too much in capital distributions from JVB (beyond its net income), we may not be able to trade with certain counterparties which may cause JVB's operations to deteriorate.

## **Securities Financing**

We maintain repurchase agreements with various third-party financial institutions. There is no maximum limit as to the amount of securities that may be transferred pursuant to these agreements, and transactions are approved on a case-by-case basis. The repurchase agreements do not include substantive provisions other than those covenants and other customary provisions contained in standard master repurchase agreements. The repurchase agreements generally require us to transfer additional securities to the counterparty in the event the value of the securities then held by the counterparty in the margin account falls below specified levels and contain events of default were we to breach our obligations under the agreement. We receive margin calls from our repurchase agreement counterparties from time to time in the ordinary course of business. To date, we have maintained sufficient liquidity to meet margin calls, and we have never been unable to satisfy a margin call, however, no assurance can be given that we will be able to satisfy requests from our counterparties to post additional collateral in the future. See note 11 to our consolidated financial statements included in this Annual Report on Form 10-K.

If there were an event of default under a repurchase agreement, the counterparty would have the option to terminate all repurchase transactions existing with us and make any amount due from us to the counterparty payable immediately. Repurchase obligations are full recourse obligations to us. If we were to default under a repurchase obligation, the counterparty would have recourse to our other assets if the collateral was not sufficient to satisfy our obligations in full. Most of our repurchase agreements are entered into as part of our matched book repo business.

Our clearing brokers provide securities financing arrangements including margin arrangements and securities borrowing and lending arrangements. These arrangements generally require us to transfer additional securities or cash to the clearing broker in the event the value of the securities then held by the clearing broker in the margin account falls below specified levels and contain events of default were we to breach our obligations under such agreements.

An event of default under the clearing agreement would give the counterparty the option to terminate the clearing arrangement. Any amounts owed to the clearing broker would be immediately due and payable. These obligations are recourse to us. Furthermore, a termination of any of our clearing arrangements would result in a significant disruption to our business and would have a significant negative impact on our dealings and relationship with our customers.

The following table presents our period end balance, average monthly balance, and maximum balance at any month end for receivables under resale agreements and securities sold under agreements to repurchase.

	For the Twelve Months Ended December 31, 2022	For the Twelve Months Ended December 31, 2021
Receivables under resale agreements		
Period end	\$ 437,692	\$ 3,175,645
Monthly average	\$ 1,628,141	\$ 5,750,146
Maximum month end	\$ 3,006,658	\$ 7,299,538
Securities sold under agreements to repurchase		
Period end	\$ 452,797	\$ 3,171,415
Monthly average	\$ 1,649,310	\$ 5,745,838
Maximum month end	\$ 3,002,514	\$ 7,289,275

Fluctuations in the balance of our repurchase agreements from period to period and intraperiod are dependent on business activity in those periods. The fluctuations in the balances of our receivables under resale agreements over the periods presented were impacted by our clients' desires to execute collateralized financing arrangements through the repurchase market or other financing products.

Average balances and period end balances will fluctuate based on market and liquidity conditions and we consider such intraperiod fluctuations as typical for the repurchase market. Month-end balances may be higher or lower than average period balances.

### Debt Financing

The following table summarizes our long-term indebtedness and other financing outstanding. See note 20 to our consolidated financial statements in our Annual Report on Form 10-K for more information.

#### DETAIL OF DEBT (Dollars in Thousands)

Description	As of December 31,		Interest Rate Terms	Interest (2)	Maturity
	2022	2021			
Non-convertible debt:					
10.00% senior note (the "2020 Senior Notes")	\$ 4,500	\$ 4,500	Fixed	10.00%	January 2024
Contingent convertible debt:					
8.00% convertible senior note (the "2017 Convertible Note")	-	15,000	Fixed	8.00%	March 2023
Less unamortized debt issuance costs	-	(67)			
	-	14,933			
Junior subordinated notes (1):					
Alesco Capital Trust I	28,125	28,125	Variable	8.41%	July 2037
Sunset Financial Statutory Trust I	20,000	20,000	Variable	8.88%	March 2035
Less unamortized discount	(23,601)	(24,164)			
	24,524	23,961			
Byline Bank	-	-	Variable	N/A	December 2023
Total	\$ 29,024	\$ 43,394			

- (1) The junior subordinated notes listed represent debt the Company owes to the two trusts noted above. The total par amount owed by the Company to the trusts is \$49,614. However, the Company owns the common stock of the trusts in a total par amount of \$1,489. The Company pays interest (and at maturity, principal) to the trusts on the entire \$49,614 junior notes outstanding. However, the Company receives back from the trusts the pro rata share of interest and principal on the common stock held by the Company. These trusts are variable interest entities (“VIEs”) and the Company does not consolidate them even though the Company holds the common stock. The Company carries the common stock on its balance sheet at a value of \$0. The junior subordinated notes are recorded at a discount to par. When factoring in the discount, the yield to maturity of the junior subordinated notes as of December 31, 2022 on a combined basis is 19.79% assuming the variable rate in effect on the last day of the reporting period remains in effect until maturity.
- (2) Represents the interest rate in effect as of the last day of the reporting period.

#### ***Redeemable Financial Instruments***

As of December 31, 2022, we have the following sources of financing, which we account for as redeemable financial instruments. See note 19 to our consolidated financial statements included in this Annual Report on Form 10-K.

#### REDEEMABLE FINANCIAL INSTRUMENTS (Dollars in thousands)

	As of December 31,	
	2022	2021
JKD Investor	\$ 7,868	\$ 7,957
	<u>\$ 7,868</u>	<u>\$ 7,957</u>

#### ***Off-Balance Sheet Arrangements***

Other than as described in note 10 (derivative financial instruments) and note 18 (variable interest entities) to our consolidated financial statements included in this Annual Report on Form 10-K, there were no material off balance sheet arrangements as of December 31, 2022.

## Contractual Obligations

The table below summarizes our significant contractual obligations as of December 31, 2022 and the future periods in which such obligations are expected to be settled in cash. Our junior subordinated notes are assumed to be repaid on their respective maturity dates. Excluded from the table are obligations that are short-term in nature, including trading liabilities and repurchase agreements. In addition, amortization of discount on debt is excluded.

### CONTRACTUAL OBLIGATIONS December 31, 2022 (Dollars in Thousands)

	Payment Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating lease arrangements	\$ 11,871	\$ 2,643	\$ 3,959	\$ 3,022	\$ 2,247
Maturity of 2020 Senior Notes	4,500	-	4,500	-	-
Interest on 2020 Senior Notes	563	450	113	-	-
Maturities on junior subordinated notes	48,125	-	-	-	48,125
Interest on junior subordinated notes (1)	56,664	4,143	8,285	8,285	35,951
Redeemable Financial Instrument - JKD Capital Partners 1 (2)	7,868	7,868	-	-	-
Other Operating Obligations (3)	1,151	1,069	82	-	-
	<u>\$ 130,742</u>	<u>\$ 16,173</u>	<u>\$ 16,939</u>	<u>\$ 11,307</u>	<u>\$ 86,323</u>

- (1) The interest on the junior subordinated notes related to Alesco Capital Trust I is variable. The interest rate of 8.41% (based on a 90-day LIBOR rate in effect as of December 31, 2022 plus 4.00%) was used to compute the contractual interest payment in each period noted. The interest on the junior subordinated notes related to Sunset Financial Statutory Trust I is variable. The interest rate of 8.88% (based on a 90-day LIBOR rate in effect as of December 31, 2022 plus 4.15%) was used to compute the contractual interest payment in each period noted.
- (2) Represents redemption value of the redeemable financial instruments as of the reporting period. The redeemable financial instruments do not have a fixed maturity date. The period shown above represents the first period the holder of these instruments has the ability to require redemption by us.
- (3) Represents material operating contracts for various services.

We believe that we will be able to continue to fund our current operations and meet our contractual obligations through a combination of existing cash resources and other sources of credit. Due to the uncertainties that exist in the economy, we cannot be certain that we will be able to replace existing financing or find sources of additional financing in the future.

## Critical Accounting Policies and Estimates

Our accounting policies are essential to understanding and interpreting the financial results in our consolidated financial statements. Our industry is subject to a number of highly complex accounting rules and requirements many of which place heavy burdens on management to make judgments relating to our business. We encourage readers of this Form 10-K to read all of our critical accounting policies, which are included in note 3 to our consolidated financial statements included herein for a full understanding of these issues and how the financial statements are impacted by these judgments. Certain of these policies are considered to be particularly important to the presentation of our financial results because they require us to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures. We base our assumptions, estimates, and judgments on historical experience, current trends, and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates, and judgments to ensure that our financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.



We consider the accounting policies discussed below to be the policies that are the most impactful to our financial statements and also subject to significant management judgment.

### ***Valuation of Financial Instruments***

#### *How fair value determinations impact our financial statements*

All of the securities we own that are classified as investments-trading, securities sold, not yet purchased, other investments, at fair value, or other investments sold, not yet purchased are recorded at fair value with changes in fair value (both unrealized and realized) recorded in earnings.

Unrealized and realized gains and losses on securities classified as investments-trading and securities sold, not yet purchased in the consolidated balance sheets are recorded as a component of net trading revenue in the consolidated statements of operations. Unrealized and realized gains and losses on securities classified as other investments, at fair value, and other investments sold, not yet purchased in the consolidated balance sheets are recorded as a component of principal transactions and other income in the consolidated statements of operations.

#### *How we determine fair value for securities*

We account for our investment securities at fair value under various accounting literature, including Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments — Debt and Equity Securities* ("ASC 320"), pertaining to investments in debt and equity securities and the fair value option of financial instruments in ASC 825, *Financial Instruments* ("ASC 825"). We also account for certain assets at fair value under applicable industry guidance such as: (a) FASB ASC 946, *Financial Services-Investment Companies* ("ASC 946") and (b) FASB ASC 940-320, *Proprietary Trading Securities* ("ASC 940-320").

The determination of fair value is based on quoted market prices of an active exchange, independent broker market quotations, market price quotations from third-party pricing services, or, when independent broker quotations or market price quotations from third-party pricing services are unavailable, valuation models prepared by management. These models include estimates and the valuations derived from them could differ materially from amounts realizable in an open market exchange.

We adopted the fair value measurement provisions in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), applicable to financial assets and financial liabilities effective January 1, 2008. ASC 820 defines fair value as the price that would be received to sell the asset or paid to transfer the liability between market participants at the measurement date ("exit price"). An exit price valuation will include margins for risk even if they are not observable. In accordance with ASC 820, we categorize our financial instruments, based on the priority of the inputs to the valuation technique, into a three-level valuation hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the hierarchy under ASC 820 are described below.

- Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Financial assets and liabilities whose values are based on one or more of the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in non-active markets; (c) pricing models whose inputs are observable for substantially the full term of the asset or liability; or (d) pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.
- Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the valuation hierarchy. In such cases, the level of the valuation hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Financial instruments carried at contract amounts with short-term maturities (one year or less) are repriced frequently or bear market interest rates. Accordingly, those contracts are carried at amounts approximating fair value. Financial instruments carried at contract amounts on our consolidated balance sheets include receivables from and payables to brokers, securities purchased under agreements to resell (“reverse repurchase agreements” or “receivables under resale agreements”), and sales of securities under agreements to repurchase (“repurchase agreements”).

#### *How we determine fair value for investments in investment funds and similar vehicles*

A portion of our other investments, at fair value represents investments in investment funds and other non-publicly traded entities that have the attributes of investment companies as described in ASC 946-15-2. We estimate the fair value of these entities using the reported net asset value per share as of the reporting date in accordance with the “practical expedient” provisions related to investments in certain entities that calculated net asset value per share (or its equivalent) included in ASC 820.

#### ***Derivative Financial Instruments***

We do not utilize hedge accounting for our derivatives. Accordingly, all derivatives are carried at fair value with unrealized and realized gains recognized in earnings.

If the derivative is expected to be managed by employees of our Capital Markets business segment or is a hedge for an investment classified as investments-trading, the derivative will be carried as a component of investments-trading if it is an asset or securities sold, not yet purchased if a liability. If the derivative is a hedge for an investment carried as a component of other investments, at fair value, the derivative will be recorded in other investments, at fair value if it is an asset or other investments sold, not yet purchase if it is a liability.

We may, from time to time, enter into derivatives to manage our risk exposures arising from (i) fluctuations in foreign currency rates with respect to our investments in foreign currency denominated investments; (ii) our investments in interest sensitive investments; (iii) our investments in various equity instruments; and (iv) our facilitation of mortgage-backed trading. Derivatives entered into by us, from time to time, may include (i) foreign currency forward contracts; (ii) purchase and sale agreements of TBAs and other forward agency MBS contracts; (iii) other extended settlement trades; and (iv) equity options such as calls and puts.

TBAs are forward contracts to purchase or sell mortgage-backed securities whose exact collateral remain “to be announced” until just prior to the trade settlement. In addition to TBAs, we sometimes enter into forward purchases or sales of agency mortgage-backed securities where the underlying collateral has been identified. These transactions are referred to as other forward agency MBS contracts. We account for TBAs and other forward agency MBS contracts as derivatives.

In addition to TBAs and other forward agency MBS contracts as part of our broker-dealer operations, we may from time to time enter into other securities or loan trades that do not settle within the normal securities settlement period. In those cases, the purchase or sale of the security or loan is not recorded until the settlement date. However, from the trade date until the settlement date, our interest in the security is accounted for as a derivative as either a forward purchase commitment or forward sale commitment.

Derivatives involve varying degrees of off-balance sheet risk, whereby changes in the level or volatility of interest rates or market values of the underlying financial instruments may result in changes in the value of a particular financial instrument in excess of its carrying amount. Depending on our investment strategy, realized and unrealized gains and losses are recognized in principal transactions and other income or in net trading in our consolidated statements of operations on a trade date basis.

#### ***Accounting for Income Taxes***

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such a determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

Our policy is to record penalties and interest as a component of provision for income taxes in our consolidated statements of operations.

Our voting-controlled subsidiary, the Operating LLC, is treated as a pass-through entity for U.S. federal income tax purposes and in most of the states in which we do business. The Operating LLC is subject to entity level taxes in certain state and foreign jurisdictions. However, as a result of the AFN Merger, we acquired significant deferred tax assets and liabilities and now have significant tax attributes. Effective as of January 1, 2010, we began to be treated as a C corporation for U.S. federal and state income tax purposes.

As shown in note 23 to the consolidated financial statements contained herein, we currently have significant recognized as well as unrecognized deferred tax assets. Deferred tax assets should only be recognized to the extent that we determine we can benefit in the future from the asset. Generally, this determination is based on our estimates of our ability to generate future taxable income. This determination is complex and subject to judgment. The determination is ongoing and subject to change. If we were to change this determination in the future, a significant deferred tax benefit or deferred tax expense would be recognized as a component of earnings.

## ***Revenue Recognition***

### **Net trading**

Net trading includes: (i) all gains, losses, interest income, dividend income, and interest expense from securities classified as investments-trading and trading securities sold, not yet purchased; (ii) interest income and expense from collateralized securities transactions; and (iii) commissions and riskless trading profits. Net trading is reduced by margin interest, which is recorded on an accrual basis. We refer to investments included as a component of investments - trading and trading securities sold, not yet purchased as trading assets.

Riskless trades are transacted through our proprietary account with a customer order in hand, resulting in little or no market risk to us. Transactions that settle in the regular way are recognized on a trade date basis. Extended settlement transactions are recognized on a settlement date basis (although in cases of extended settlement trades, the unsettled trade is accounted for as a derivative between trade and settlement date). See notes 3 and 10 to our consolidated financial statements included in this Annual Report on Form 10-K. The investments classified as trading are carried at fair value. The determination of fair value is based on quoted market prices of an active exchange, independent broker market quotations, market price quotations from third-party pricing services or, when independent broker quotations or market price quotations from third-party pricing services are unavailable, valuation models prepared by our management. The models include estimates, and the valuations derived from them could differ materially from amounts realizable in an open market exchange. See note 9 to our consolidated financial statements included in this Annual Report on Form 10-K.

### **Asset management**

Asset management revenue consists of management fees earned from Investment Vehicles. In the case of CDOs, the fees earned by us generally consist of senior, subordinated, and incentive fees.

The senior asset management fee is generally senior to all the securities in the CDO capital structure and is recognized on a monthly basis as services are performed. The senior asset management fee is generally paid on a quarterly basis.

The subordinated asset management fee is an additional payment for the same services but has a lower priority in the CDO cash flows. If the CDO experiences a certain level of asset defaults and deferrals, these fees may not be paid. There is no recovery by the CDO of previously paid subordinated asset management fees. It is our policy to recognize these fees on a monthly basis as services are performed. The subordinated asset management fee is generally paid on a quarterly basis. However, if we determine that the subordinated asset management fee will not be paid (which generally occurs on the quarterly payment date), we will stop recognizing additional subordinated asset management fees on that particular CDO and will reverse any subordinated asset management fees that are accrued and unpaid. We will begin accruing the subordinated asset management fee again if payment resumes and, in management's estimate, continued payment is reasonably assured. If payment were to resume but we were unsure of continued payment, we would recognize the subordinated asset management fee as payments were received and would not accrue such fees on a monthly basis.

The incentive management fee is an additional payment, made typically after five to seven years of the life of a CDO, which is based on the clearance of an accumulated cash return on investment ("Hurdle Return") received by the most junior CDO securities holders. It is an incentive for us to perform in our role as asset manager by minimizing defaults and maximizing recoveries. The incentive management fee is not ultimately determined or payable until the achievement of the Hurdle Return by the most junior CDO securities holders. We recognize incentive fee revenue when it is probable and there is not a significant chance of reversal in the future.

In the case of Investment Vehicles other than CDOs, generally we earn a base fee and, in some cases, also earns an incentive fee. Base fees will generally be recognized monthly as services are performed and will be paid monthly or quarterly. The contractual terms of each arrangement will determine our revenue recognition policy for incentive fees in each case. However, in all cases, we recognize the incentive fees when they are probable and there is not a significant chance of reversal in the future.

#### New issue and advisory

New issue and advisory revenue includes: (i) origination fees for financial instruments originated by the Company; (ii) revenue from advisory services; and (iii) new issue revenue associated with arranging the issuance of and placing newly created financial instruments. New issue and advisory revenue is recognized when the Company's performance obligations have been satisfied and collectability is reasonably assured.

#### Principal transactions and other income

Principal transactions include all gains, losses, and income (interest and dividend) from financial instruments classified as other investments, at fair value and other investments sold, not yet purchased in the consolidated balance sheets. We refer to investments included as a component of other investments, at fair value and other investments sold, not yet purchased as our principal investing assets.

The investments classified as other investments, at fair value and other investments sold, not yet purchased are carried at fair value. The determination of fair value is based on quoted market prices of an active exchange, independent broker market quotations, market price quotations or models from third-party pricing services, or, when independent broker quotations or market price quotations or models from third-party pricing services are unavailable, valuation models prepared by management. These models include estimates, and the valuations derived from them could differ materially from amounts realizable in an open market exchange. Dividend income is recognized on the ex-dividend date.

Other income / (loss) includes foreign currency gains and losses, interest earned on cash and cash equivalents, interest earned and losses incurred on notes receivable, and other miscellaneous income including revenue from revenue sharing arrangements.

#### ***Variable Interest Entities***

FASB ASC 810, *Consolidation* ("ASC 810") contains the guidance surrounding the definition of VIEs, the definition of variable interests, and the consolidation rules surrounding VIEs. In general, VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. As a general matter, a reporting entity must consolidate a VIE when it is deemed to be the primary beneficiary. The primary beneficiary is the entity that has both (a) the power to direct the matters that most significantly impact the VIE's financial performance and (b) a significant variable interest in the VIE.

We can potentially become involved with a VIE in three main ways:

##### *Our Principal Investing Portfolio*

For each investment made within the principal investing portfolio, we assess whether the investee is a VIE and if we are the primary beneficiary. If we determine the entity is a VIE and we are the primary beneficiary, we will consolidate it.

##### *Our Asset Management Activities*

For each investment management contract, we enter into, we will assess whether the entity being managed is a VIE and if we are the primary beneficiary. If we determine the entity is a VIE and we are the primary beneficiary, we will consolidate it.

##### *Our Trading Portfolio*

From time to time, we may have an interest in a VIE through the investments we make as part of our trading activities. Because of the high volume of trading activity in which we engage, we do not perform a formal assessment of each individual investment within our trading portfolio to determine if the investee is a VIE and if we are the primary beneficiary. Even if we were to obtain a variable interest in a VIE through our trading portfolio, we would not be deemed to be the primary beneficiary for two main reasons: (a) we do not usually obtain the power to direct activities that most significantly impact any investee's financial performance and (b) a scope exception exists within the consolidation guidance for cases where the reporting entity is a broker-dealer and any control (either as the primary beneficiary of a VIE or through a controlling interest in a voting interest entity) was deemed to be temporary. In the unlikely case that we obtained the power to direct activities and obtained a significant variable interest in an investee in our trading portfolio that was a VIE, any such control would be deemed to be temporary due to the rapid turnover within the trading portfolio.

#### ***Stock Compensation***

We account for stock compensation according to FASB ASC 718, *Stock Compensation* ("ASC 718"). In the periods presented herein, we have had three different types of grants that fall under ASC 718.

First, we sometimes grant to employees and directors restricted common stock in Cohen & Company Inc. These grants vest over a period of time and only have service based vesting criteria. In these cases, we determine the fair value of the grants by taking the closing stock price of Cohen & Company Inc. on the grant date and multiplying it by the number of restricted shares granted. We recognize the expense over the service period on a straight-line basis. We assume no forfeitures up front and record forfeitures as they occur by reducing expense. The recipient is entitled to dividends that are declared and paid during the vesting period but they are paid only if (and to the extent) the restricted share grant ultimately vests.

Second, we sometimes grant to employees operating units of the Operating LLC. These grants also vest over a period of time and only have service based vesting criteria. Because there is a fixed exchange ratio between units of the Operating LLC and shares of Cohen & Company Inc., the fair value of the grant is calculated by taking the closing stock price of Cohen & Company Inc. on the grant date, adjusting for the exchange ratio, and then multiplying by the number of units of the Operating LLC granted. We recognize the expense over the service period on a straight-line basis. We assume no forfeitures up front and record forfeitures as they occur by reducing expense. The recipient is entitled to distributions that are declared and paid during the vesting period but they are paid only if (and to the extent) the unit grant ultimately vests.

Third, employees sometimes invest in the membership interests of consolidated SPAC sponsor entities (the Insurance SPAC Sponsor Entities, the Insurance SPAC II Sponsor Entities, and the Insurance SPAC III Sponsor Entities). Because these entities are consolidated and the employees are investing in the consolidated company's non-controlling interest, these equity interests fall under ASC 718. Generally, the employee invests a de-minimus amount and receives an allocation of the founder shares held by the sponsor entity. The investment does not have any explicit vesting criteria associated with it. Generally, the employee's investment will be worthless if the SPAC is liquidated and it will become worth something if the SPAC completes its business combination. Therefore, we treat these grants as having a performance condition (i.e. the completion of the SPAC business combination). Further, at the time of the investments, we treat this performance condition as being non-probable. The effect of this is that we record no expense related to these investments until (and only if) the business combination is completed. Upon completion of the business combination, we record compensation expense in an amount equal to the fair value of the grant. The fair value of the grant is equal to the public trading price of the SPAC on the date of the grant adjusted for certain sale restrictions imposed on the shares the employee receives (generally, they are restricted for sale for some time period and subject to certain hurdle prices before they become freely tradeable). We use a Monte Carlo simulation model to determine the appropriate discount to place on shares that are subject to hurdle prices. The compensation amount is recorded with an offsetting credit to non-controlling interest. From that point forward, the shares received by the employee are treated as part of the non-controlling interest and allocated income, expense, gains, and losses accordingly until the applicable sponsor entity is liquidated or otherwise de-consolidated.

#### *Investments in Special Purpose Acquisition Companies ("SPACs") Sponsor Entities*

We invest in the sponsor entities of SPACs. The sponsor entities are limited liability companies (each an "LLC") that pool their members' interests and invest in the private placement and founder shares (together, sponsor shares) of a SPAC. The SPAC will also raise funds in a public offering and seek to complete a business combination within an agreed upon time frame. The SPAC will use the proceeds raised from the sponsor shares to pay transaction and operating expenses during the period it is seeking a business combination. The proceeds of the public offering are placed in an interest bearing trust and can only be used to complete the business combination and pay taxes on the interest earned. Generally, the public investors must approve any business combination prior to its effectiveness. If a business combination is not completed within the agreed upon time frame, the SPAC will liquidate and return the public investors' investment to them. If there are funds remaining after liquidation, the sponsor entities may receive some portion of their investment back, but likely they will suffer a total loss of their investment. If the business combination is completed, the sponsor entities private placement in the SPAC will entitle them to a combination of unrestricted common, restricted common, and (in some cases) warrants of the post-business combination SPAC (which is a publicly traded company). The following summarizes our accounting policies related to our investments in these entities:

- The sponsor entities are LLCs that give all important decision making rights to their respective managing member. Furthermore, the other members of the LLC cannot replace the managing member. Accordingly, we have concluded that the sponsor entities are VIEs and the managing member has the power to direct its most important economic activities. In all cases where we are the managing member of a sponsor entity, we also have had a significant economic interest in such sponsor entity and therefore consolidate such sponsor entity.
- In all cases where we have consolidated a sponsor entity, we have determined that the sponsor entity's private placement investment in the SPAC which it sponsors should be treated as an equity method investment during the SPAC's pre-business combination period. Furthermore, because of the difficulty of determining the fair value of such an investment in the SPAC's pre-business combination period, we have chosen to not elect the fair value option.
- If a SPAC completes its business combination, the sponsor entity's investment in the SPAC will be converted to a combination of unrestricted and restricted shares in the post-business combination SPAC. At this point (assuming we consolidate the sponsor entity), we will account for the shares received at fair value. We will reclassify any remaining equity method investment balance to other investments, at fair value and record principal transactions income for the difference. We will record non-controlling interest expense for the SPAC shares that are distributable to the non-controlling interest holders of the sponsor entity. The fair value of the unrestricted shares received is equal to the public trading price of the SPAC on the date of the business combination. The fair value of the restricted shares received is adjusted downwards from the public trading price for certain sale restrictions imposed (generally, they are restricted for sale for some time period and subject to certain hurdle prices before they become freely tradeable). We use a Monte Carlo simulation model to determine the appropriate discount to place on shares that are subject to hurdle prices. In the case of a SPAC business combination where we consolidate the sponsor entity, generally there is also an equity-based compensation entry to be recorded at the date of the business combination. See equity-based compensation section above. We will continue to mark the sponsor entity's investment in the SPAC to market and record principal transactions income or loss and offsetting non-controlling interest income or expense until the sponsor entity itself distributes all of the SPAC shares it owns to its members and liquidates. At that point, we will hold the SPAC shares directly (rather than through a consolidated subsidiary) and will record principal transaction income and loss until the SPAC shares themselves are liquidated.
- We will also invest in sponsor entities that we do not consolidate because we are not the managing member of such sponsor entity or otherwise do not have the power to direct the sponsor entity's most important activities. In these cases, we treat our investment in the sponsor entity as an equity method investment. Furthermore, because of the difficulty of determining the fair value of such an investment in the applicable SPAC's pre-business combination period, we have chosen to not elect the fair value option.
- If a SPAC completes a business combination and we have an equity method investment in the associated sponsor entity, the sponsor entity will record income equal to the difference between the fair value of the restricted and unrestricted shares it will receive and the carrying value of its equity method investment in the SPAC. We will recognize our share of this gain as income from equity method affiliates. The sponsor entity will continue to mark its investment in the SPAC to market after the business combination and we will recognize our share of the change in fair value as income or loss from equity method affiliates. Once the sponsor entity distributes our allocable share of the SPAC shares it owns, we will reclassify our investment from investment in equity method affiliate to other investments, at fair value as we will then hold the SPAC shares directly (rather than through an equity method investee). We will then record principal transactions income and loss until the SPAC shares themselves are liquidated.
- If a SPAC liquidates and we have an investment in it (either directly in the case of consolidated sponsor entities or indirectly in the case of equity method sponsor entities), we will write off our remaining equity method balance and record loss on equity method investment. In the case of consolidated sponsor entities we will also record an offsetting entry to non-controlling interest.

## ***Recent Accounting Pronouncements***

The following is a list of recent accounting pronouncements that, we believe, will have a continuing impact on our financial statements going forward. For a more complete list of recent pronouncements, see note 3 to our consolidated financial statements included in this Annual Report on Form 10-K.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU simplifies accounting for convertible instruments by removing major separation models currently required. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas. This ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. We have determined that adoption will have an immaterial impact it may have on our consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings ("TDRs") and Vintage Disclosures*. The amendments in this ASU eliminate TDR recognition and measurement guidance and instead, require that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We have determined adoption of this ASU will have no material effect on our financial statements or disclosures.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This ASU is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All amounts in this section are in thousands unless otherwise noted.

### Market Risk

Market risk is the risk of economic loss arising from the adverse impact of market changes to the market value of our trading and investment positions. Market risk is inherent to both derivative and non-derivative financial instruments, and accordingly, the scope of our market risk management procedures extends beyond derivatives to include all market risk sensitive financial instruments. For purposes of analyzing the components of market risk, we have broken out our investment portfolio into three broad categories, plus debt as described below.

*Fixed Income Securities:* We hold, from time to time, the following securities: U.S. Treasury securities, U.S. government agency MBS, U.S. government agency debt securities, CMOs, non-government MBS, corporate bonds, non-redeemable and redeemable preferred stock, municipal bonds, certificates of deposits, residential loans, whole loans, and unconsolidated investments in the middle and senior tiers of securitization entities and TruPS. We attempt to mitigate our exposure to market risk by entering into economic hedging transactions, which may include TBAs. The fixed income category can be broadly broken down into two subcategories: fixed rate and floating rate.

Floating rate securities are not in themselves particularly sensitive to interest rate risk. Because they generally accrue interest income at a variable rate, the movement in interest rates typically does not impact their fair value. Fluctuations in their current income due to variations in interest rates are generally not material to us. Floating rate securities are subject to other market risks such as: default risk of the underlying issuer, changes in the issuer's credit spreads, prepayment rates, investor demand, and supply of securities within a particular asset class or industry class of the ultimate obligor. The sensitivity to any individual market risk can be difficult to quantify.

The fair value of fixed rate securities is sensitive to changes in interest rates. However, fixed rate securities that have low credit ratings or represent junior interests in securitizations are not particularly interest rate sensitive. In general, when we acquire interest rate sensitive securities, we enter into an offsetting short position for a similar fixed rate security. Alternatively, we may enter into other interest rate hedging arrangements such as interest rate swaps or Eurodollar futures. We measure our net interest rate sensitivity by determining how the fair value of our net interest rate sensitive assets would change as a result of a 100 basis points ("bps") adverse shift across the entire yield curve. Based on this analysis, as of December 31, 2022, we would have incurred a loss of \$1,610 if the yield curve rose 100 bps across all maturities and a gain of \$1,605 if the yield curve fell 100 bps across all maturities. As of December 31, 2021, we would have incurred a loss of \$1,638 if the yield curve rose 100 bps across all maturities and a gain of \$1,638 if the yield curve fell 100 bps across all maturities.

*Equity Securities:* We hold equity interests in both public and private entities. These investments are subject to equity price risk. Equity price risk results from changes in the level or volatility of underlying equity prices, which affect the value of equity securities or instruments that in turn derive their value from a particular stock. We also hold a significant amount of equity in public companies that recently completed a merger with a SPAC we sponsored or invested in. A significant portion of the equity we hold in these types of entities are subject to sale restrictions. We attempt to reduce the risk of loss inherent in our inventory of equity securities by closely monitoring those security positions or in some cases entering into derivatives trades to hedge this exposure. We also have had equity investments in entities where the investment is denominated in a foreign currency, or where the investment is denominated in U.S. Dollars but the investee primarily makes investments in foreign currencies. The fair values of these investments are subject to change as the spot foreign exchange rate between these currencies and the U.S. Dollar (our functional currency) fluctuates. We may, from time to time, enter into foreign exchange rate derivatives to hedge all or a portion of this risk. We measure our net equity price sensitivity and foreign currency sensitivity by determining how the net fair value of our equity price sensitive and foreign exchange sensitive assets would change as a result of a 10% adverse change in equity prices or foreign exchange rates. Based on this analysis, as of December 31, 2022, our equity price sensitivity was \$1,695 and our foreign exchange currency sensitivity was \$0. As of December 31, 2021, our equity price sensitivity was \$3,068 and our foreign exchange currency sensitivity was \$0.

*Other Securities:* These investments are primarily made up of residual interests in securitization entities. The fair value of these investments will fluctuate over time based on a number of factors including, but not limited to: liquidity of the investment type, the credit performance of the individual assets and issuers within the securitization entity, the asset class of the securitization entity and the relative supply of and demand for investments within that asset class, credit spreads in general, the transparency of valuation of the assets and liabilities of the securitization entity, and investors' view of the accuracy of ratings prepared by the independent rating agencies. The sensitivity to any individual market risk cannot be quantified.

*Debt:* In addition to the risks noted above, we incur interest rate risk related to our debt obligations. We have debt that accrues interest at either variable rates or fixed rates. As of December 31, 2022, a 100-bps change in the three-month LIBOR would have resulted in a change in our annual cash to be paid for interest in the amount of \$481. A 100-bps adverse change in the market yield to maturity would have resulted in an increase in the fair value of the debt in the amount of \$3,318 as of December 31, 2022.



### ***Counterparty Risk and Settlement Risk***

We are subject to counterparty risk primarily in two areas: (1) our collateralized securities transactions described in note 11 to our consolidated financial statements included in this Annual Report on Form 10-K and (2) our TBA and other forward agency MBS activities described in note 10 to our consolidated financial statements included in this Annual Report on Form 10-K. With respect to the matched book repo financing activities, our risk is that the counterparty does not fulfill its obligation to repurchase the underlying security when it is due. In this case, we would typically liquidate the underlying security, which may result in a loss if the security has declined in value in relation to the balance due from the counterparty under the reverse repurchase agreement.

With respect to our TBA and other forward agency MBS activities, our risk is that the counterparty does not settle the TBA trade on the scheduled settlement date. In this case, we would have to execute the trade, which may result in a loss based on market movement in the value of the underlying trade between its initial trade date and its settlement date (which in the case of TBAs can be as long as 90 days). If we were to incur a loss under either of these activities, we have recourse to the counterparty pursuant to the underlying agreements.

Finally, we have general settlement risk in all of our regular way fixed income and equity trading activities. If a counterparty fails to settle a trade, we may incur a loss in closing out the position and would be forced to try to recover this loss from the counterparty. If the counterparty has become insolvent or does not have sufficient liquid assets to reimburse us for the loss, we may not get reimbursed.

#### ***How we manage these risks***

##### ***Market Risk***

We seek to manage our market risk by utilizing our underwriting and credit analysis processes that are performed in advance of acquiring any investment. In addition, we continually monitor our investments on a daily basis. We perform an in-depth monthly analysis on all our investments and our risk committee meets on a weekly basis to review specific issues within our portfolio and to make recommendations for dealing with these issues. In addition, our broker-dealer has an assigned chief risk officer that reviews the firm's positions and trading activities on a daily basis.

##### ***Counterparty Risk***

We seek to manage our counterparty risk primarily through two processes. First, we perform a credit assessment of each counterparty to ensure the counterparty has sufficient equity, liquidity, and profitability to support the level of trading or lending we plan to do with them. Second, we may require counterparties to post cash or other liquid collateral ("margin") to support changes in the market value of the underlying securities or trades on an ongoing basis.

In the case of collateralized securities financing transactions, we will generally lend less than the market value of the underlying security initially. The difference between the amount lent and the value of the security is referred to as the haircut. We will seek to maintain this haircut while the loan is outstanding. If the value of the security declines, we will require the counterparty to post margin to offset this decline. If the counterparty fails to post margin, we will sell the underlying security. The haircut serves as a buffer against market movements to prevent or minimize a loss.

In the case of TBA and other forward agency MBS activities, we sometimes require counterparties to post margin with us in the case the market value of the underlying TBA trade declines. If the counterparty fails to post margin, we will close out the underlying trade. In the case of TBA and other forward agency MBS activities, we will sometimes obtain initial margin or a cash deposit from the counterparty which serves a purpose similar to the haircut as an additional buffer against losses. However, some of our TBA and other forward agency MBS activities are done without initial margin or cash deposits.

##### ***Risks Related to our Matched Book Repo Business***

We enter into repurchase and reverse repurchase agreements as part of our matched book repo business. In general, we will lend money to a counterparty after obtaining collateral securities from that counterparty pursuant to a reverse repurchase agreement. We will borrow money from another counterparty using those same collateral securities pursuant to a repurchase agreement. We seek to earn net interest income on these matched transactions.

In our gestation repo business, we will generally ensure that the maturity dates of our reverse repurchase agreements match the maturity dates of the matched repurchase agreements. Because our maturities are matched, we can pass along any changes in funding terms imposed upon us by our repurchase agreement counterparty to our reverse repurchase agreement counterparty. Therefore, we are not exposed to a great deal of interest rate or funding risk. The main risk we are exposed to is credit risk. We manage this risk by obtaining collateral in excess of the contractual repo balance and performing credit reviews of counterparties and updating them on a routine basis.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The financial statements of the Company, the related notes and schedules to the financial statements, together with the Report of Independent Registered Public Accounting Firm thereon, are set forth beginning on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

***Evaluation of Disclosure Controls and Procedures***

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to the Company (and its consolidated subsidiaries) required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, who certify our financial reports, and to other members of senior management and the board of directors. Under the supervision and with the participation of our chief executive officer and chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15I and 15d-15(e) of the Exchange Act) as of December 31, 2022. Based on that evaluation, the chief executive officer and the chief financial officer concluded that our disclosure controls and procedures were effective at December 31, 2022.

***Management's Annual Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as described in the revised (2013) version in *Internal Control-Integrated Framework*. Based on this assessment, management believed that, as of December 31, 2022, our internal control over financial reporting was effective.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's auditors pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting during the quarter ended December 31, 2022 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION.**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS.**

Not Applicable.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

Our board of directors has adopted the Code of Conduct applicable to all directors, officers, and employees of the Company. The Code of Conduct is free and available on our website at <http://cohenandcompany.com/investor-relations/corporate-governance/code-of-conduct/> and the Company intends to satisfy the disclosure requirements under Item 5.05 of the SEC's Current Report on Form 8-K regarding amendments to, or waivers from, the Code of Conduct by posting such information on its website.

The information required by Item 10 is included in the sections entitled "Executive Officers," "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance and board of directors Information" in the Company's definitive Proxy Statement, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the Company's 2023 Annual Meeting of Stockholders and is incorporated herein by reference.

#### ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 11 is included in the sections entitled "Executive Compensation" and "Compensation of Directors" in the Company's definitive Proxy Statement, to be filed pursuant to Regulation 14A of the Exchange Act in connection with the Company's 2023 Annual Meeting of Stockholders and is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by Item 12 with respect to the "Share Ownership of Certain Beneficial Owners and Management" is included in the Company's definitive Proxy Statement, to be filed pursuant to Regulation 14A of the Exchange Act in connection with the Company's 2023 Annual Meeting of Stockholders and is incorporated herein by reference.

The following table provides information regarding the 2020 Long-Term Incentive Plan as of December 31, 2022.

	(a)	(b)	(c)
	Number of securities to be issued upon the exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(1)		(a))
Equity compensation plans approved by security holders	-	-	761,324
Equity compensation plans not approved by security holders	-	-	-

- (1) See note 22 to our consolidated financial statements included in this Annual Report on Form 10-K for further information regarding the 2020 Long-Term Incentive Plan.

The remainder of the information required by Item 12 is included in the Section entitled "Share Ownership of Certain Beneficial Owners and Management" in the Company's definitive Proxy Statement, to be filed pursuant to Regulation 14A of the Exchange Act in connection with the Company's 2023 Annual Meeting of Stockholders and is incorporated herein by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by Item 13 is included in the sections entitled "Certain Relationships and Related Party Transactions" and "Corporate Governance and board of directors Information — Director Independence" in the Company's definitive Proxy Statement, to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the Company's 2023 Annual Meeting of Stockholders and is incorporated herein by reference.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by Item 14 is included in the sections entitled "Principal Accounting Firm Fees" in the Company's definitive Proxy Statement, to be filed pursuant to Regulation 14A of the Exchange Act in connection with the Company's 2023 Annual Meeting of Stockholders and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

(F) 1) The following financial statements of the Company are included in Part II, Item 8 of this Annual Report on Form 10-K:

(i)	Report of Independent Registered Public Accounting Firm (PCAOB ID Number 248)	F-2
(ii)	Consolidated Balance Sheets as of December 31, 2022 and 2021	F-3
(iii)	Consolidated Statements of Operations and Comprehensive Income / (Loss) for the years ended December 31, 2022, 2021 and 2020	F-4
(iv)	Consolidated Statement of Changes in Equity for the years ended December 31, 2022, 2021 and 2020	F-5
(v)	Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020	F-6
(vi)	Notes to Consolidated Financial Statements as of December 31, 2022	F-7
(2)	Schedules to Consolidated Financial Statements:	
I.	Condensed Financial Information of Registrant	F-88

(b) Exhibit List

The following exhibits are filed as part of this Annual Report on Form 10-K:

<b>Exhibit No.</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of February 20, 2009, by and among Alesco Financial Inc., Fortune Merger Sub, LLC and Cohen Brothers, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2009). #
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of June 1, 2009, by and among Alesco Financial Inc., Fortune Merger Sub, LLC, Alesco Financial Holdings, LLC, and Cohen Brothers, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 2, 2009). #
2.3	Amendment No. 2 to Agreement and Plan of Merger, dated as of August 20, 2009, by and among Alesco Financial Inc., Alesco Financial Holdings, LLC and Cohen Brothers, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on August 20, 2009). #
2.4	Amendment No. 3 to Agreement and Plan of Merger, dated as of September 30, 2009, by and among Alesco Financial Inc., Alesco Financial Holdings, LLC, and Cohen Brothers, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2009).
2.5	Purchase and Contribution Agreement, dated as of September 14, 2010, by and among Cohen & Company Inc., Cohen Brothers, LLC, JVB Financial Holdings, L.L.C., the Sellers Listed on Annex I thereto and the Management Employees, as defined therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on September 14, 2010). #
2.6	Amendment No. 1 to Purchase and Contribution Agreement, dated as of October 29, 2010, by and among Cohen & Company Inc., Cohen Brothers, LLC, JVB Financial Holdings, L.L.C., the Sellers listed on Annex I to the original Purchase and Contribution Agreement, dated as of September 14, 2010, and the Management Employees as defined in the original Purchase and Contribution Agreement, dated as of September 14, 2010 (incorporated by reference to Exhibit 2.6 to the Company's Annual Report on Form 10-K filed with the SEC on March 4, 2011).
2.7	Amendment No. 2 to Purchase and Contribution Agreement, dated as of December 27, 2010, by and among Cohen & Company Inc., Cohen Brothers, LLC, JVB Financial Holdings, L.L.C., the Sellers listed on Annex I to the original Purchase and Contribution Agreement, dated as of September 14, 2010, and the Management Employees as defined in the original Purchase and Contribution Agreement, dated as of September 14, 2010 (incorporated by reference to Exhibit 2.7 to the Company's Annual Report on Form 10-K filed with the SEC on March 4, 2011).
2.8	Amendment No. 3 to Purchase and Contribution Agreement, dated as of January 11, 2011, by and among Cohen & Company Inc., Cohen Brothers, LLC, JVB Financial Holdings, L.L.C., the Sellers listed on Annex I to the original Purchase and Contribution Agreement, dated as of September 14, 2010, and the Management Employees as defined in the original Purchase and Contribution Agreement, dated as of September 14, 2010 (incorporated by reference to Exhibit 2.8 to the Company's Annual Report on Form 10-K filed with the SEC on March 4, 2011). #
2.9	Contribution Agreement, dated as of April 19, 2011, by and among IFMI, LLC, PrinceRidge Partners LLC and PrinceRidge Holdings LP (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2011).
2.10	Securities Purchase Agreement, dated as of February 20, 2014, by and among IFMI, LLC, Cohen Asia Investments Ltd., Dekania Investors, LLC, Star Asia Management Ltd., Star Asia Capital Management, LLC, Star Asia Advisors Ltd., Star Asia Advisors II Ltd., Star Asia Partners Ltd., Star Asia Partners II Ltd., an investment vehicle managed by Taro Masuyama and Malcolm MacLean, for purposes of Section 7.1 thereof only, Taro Masuyama and Malcolm MacLean, and, for purposes of Section 7.2 thereof only, Institutional Financial Markets, Inc. and Daniel G. Cohen (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2014). #
3.1	Second Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 filed with the SEC on February 6, 2004).
3.2	Articles of Amendment changing name to Alesco Financial Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-3 filed with the SEC on October 20, 2006).
3.3	Articles of Amendment to Effectuate a Reverse Stock Split (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009).
3.4	Articles of Amendment to Set Par Value (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009).
3.5	Articles Supplementary — Series A Voting Convertible Preferred Stock (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009).
3.6	Articles Supplementary — Series B Voting Non-Convertible Preferred Stock (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009).
3.7	Articles of Amendment to change Name to Cohen & Company Inc. (incorporated by reference to Exhibit 3.5 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009).
3.8	Articles Supplementary — Series C Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 28, 2009).

- 3.9 Articles of Amendment Changing Name to Institutional Financial Markets, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 24, 2011).
- 3.10 By-laws, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 11, 2005).
- 3.11 Articles Supplementary — Series D Voting Non-Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 31, 2012).
- 3.12 Articles Supplementary — Series E Voting Non-Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2013).
- 3.13 Articles of Amendment Changing Name to Cohen & Company Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2017).
- 3.14 Articles of Amendment to Effectuate a Reverse Stock Split and to Set Par Value (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2017).
- 3.15 Cohen & Company Inc. Articles Supplementary Series F Voting Non-Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 31, 2019).
- 4.1 Form of 10.50% Contingent Convertible Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2011).
- 4.2 Junior Subordinated Indenture, dated as of June 25, 2007, by and between Alesco Financial Inc. and Wells Fargo Bank, N.A. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 29, 2007).
- 4.3 Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2010).
- 4.4 Registration Rights Agreement, dated as of May 9, 2013, by and among Institutional Financial Markets, Inc., Cohen Bros. Financial, LLC and Mead Park Capital Partners LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2013).
- 4.5 Form of Indenture (incorporated by reference to Exhibit 4.18 to the Company's Registration Statement on Form S-3 filed with the SEC on February 14, 2014).
- 4.6 Section 382 Rights Agreement, dated as of August 3, 2016, by and between Institutional Financial Markets, Inc. and Computershare Inc. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 3, 2016).
- 4.7 Section 382 Rights Agreement, dated as of March 10, 2020, between Cohen & Company Inc. and Computershare Inc. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on March 10, 2020).
- 4.8 Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.\*
- 10.1 Management Agreement, dated as of January 31, 2006, by and between Alesco Financial Trust and Cohen Brothers Management, LLC (incorporated by reference to Annex E to the Company's Proxy Statement on Schedule 14A filed with the SEC on September 8, 2006).
- 10.2 Form of Restricted Share Award Agreement (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2007).
- 10.3 Form of Indemnification Agreement by and between Alesco Financial Inc. and each of its directors and officers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 20, 2006).
- 10.4 Employment Agreement between Cohen Brothers, LLC and Joseph W. Pooler, Jr., dated as of May 7, 2008 (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-4 filed with the SEC on June 2, 2009). +
- 10.5 Amendment No. 1 to Employment Agreement between Cohen Brothers, LLC and Joseph W. Pooler, Jr., dated as of February 20, 2009 (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-4 filed with the SEC on June 2, 2009). +
- 10.6 Amendment No. 2 to Employment Agreement between Joseph W. Pooler, Jr. and Cohen Brothers, LLC, dated as of February 18, 2010 (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2010). +
- 10.7 Amendment No. 3 to Employment Agreement, dated February 3, 2021, by and between Cohen & Company, LLC and Joseph W. Pooler, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 5, 2021).
- 10.8 Alesco Financial Inc. Cash Bonus Plan (incorporated by reference to Annex B to Alesco Financial Inc.'s Amendment No. 1 to the Registration Statement on Form S-4 filed with the SEC on August 20, 2009). +
- 10.9 Amended and Restated Limited Liability Company Agreement of Cohen Brothers, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009).



- 10.10 Amendment No. 1 to Amended and Restated Limited Liability Company Agreement of IFMI, LLC, dated as of June 20, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2011).
- 10.11 Amendment No. 2 to Amended and Restated Limited Liability Company Agreement of IFMI, LLC, dated as of May 9, 2013 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2013).
- 10.12 Amendment No. 3 to Amended and Restated Limited Liability Company Agreement, dated October 30, 2019, by and among each of the Members set forth on the signature pages thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 30, 2019).
- 10.13 Amendment No. 4 to Amended and Restated Limited Liability Company Agreement, dated September 25, 2020, by and among each of the Members set forth on the signature pages thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2020).
- 10.14 Amendment No. 5 to Amended and Restated Limited Liability Company Agreement, dated December 20, 2021, by and among each of the Members set forth on the signature pages thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2021)
- 10.15 Amended and Restated Employment Agreement, dated as of May 9, 2013, by and among IFMI, LLC, Institutional Financial Markets, Inc., Daniel G. Cohen, C&Co/PrinceRidge Holdings LP and C&Co/PrinceRidge Partners LLC (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2013).+
- 10.16 Amendment No. 1 to Amended and Restated Employment Agreement, dated May 24, 2022, by and among Cohen & Company Inc., Cohen & Company, LLC, Daniel G. Cohen, J.V.B. Financial Group Holdings, LP and C&Co/Prince Ridge Partners LLC (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on May 25, 2022). +
- 10.17 2010 Executive Officers' Cash Bonus Plan (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2010). +
- 10.18 Form of Award for 2010 Executive Officers' Cash Bonus Plan (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2010). +
- 10.19 Second Amended and Restated Institutional Financial Markets, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 5, 2013). +
- 10.20 Amendment No. 1 to Second Amended and Restated Institutional Financial Markets, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Appendix A to the Company's Proxy Statement on Schedule 14A filed with the SEC on November 10, 2016).
- 10.21 Form of Restricted Stock Award under Institutional Financial Markets, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K filed with the SEC on March 4, 2011). +
- 10.22 Second Amended and Restated Institutional Financial Markets, Inc. 2010 Long-Term Incentive Plan Non-Qualified Stock Option Award, dated as of November 30, 2013, by and between Institutional Financial Markets, Inc. and Lester R. Brafman (incorporated by reference to Exhibit 10.73 to the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2014).
- 10.23 Second Amended and Restated Institutional Financial Markets, Inc. 2010 Long-Term Incentive Plan Non-Qualified Stock Option Award, dated as of November 30, 2013, by and between Institutional Financial Markets, Inc. and Lester R. Brafman (incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2014).
- 10.24 Securities Purchase Agreement, dated as of May 9, 2013, by and between Institutional Financial Markets, Inc. and Cohen Bros. Financial, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2013).
- 10.25 Preferred Stock Exchange Agreement, dated as of May 9, 2013, by and among Institutional Financial Markets, Inc., Cohen Bros. Financial, LLC and Daniel G. Cohen (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2013).
- 10.26 Investment Agreement, dated as of October 3, 2016, by and between IFMI, LLC and JKD Capital Partners I LTD (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2016).
- 10.27 Amendment No. 1 to Investment Agreement, dated as of March 6, 2019, by and between Cohen & Company, LLC and JKD Capital Partners I LTD (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 10-K filed with the SEC on March 8, 2019).
- 10.28 Amendment No. 2 to Investment Agreement, date February 13, 2023, by and between Cohen and Company, LLC and JKD Capital Partners I LTD.\*
- 10.29 Securities Purchase Agreement, dated March 10, 2017, by and among IFMI, LLC, DGC Family Fintech Trust and Institutional Financial Markets, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 10, 2017).
- 10.30 Convertible Senior Secured Promissory Note, dated March 10, 2017, issued by IFMI, LLC to DGC Family Fintech Trust in the aggregate principal amount of \$15,000,000 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 10, 2017).
- 10.31 Amendment No. 1 to Convertible Senior Secured Promissory Note, dated September 25, 2020, by and between Cohen & Company, LLC and the DGC Family Fintech Trust (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2020).

- 10.32 Investment Agreement, dated September 29, 2017, by and between Cohen & Company, LLC and the DGC Family Fintech Trust (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2017).
- 10.33 Amendment No. 1 to Investment Agreement, dated as of September 25, 2019 and effective as of October 1, 2019, by and between Cohen & Company, LLC and the DGC Family Fintech Trust (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2019).
- 10.34 Amendment No. 2 to Investment Agreement, dated as of December 4, 2019 and effective as of October 1, 2019, by and between Cohen & Company, LLC and the DGC Family Fintech Trust (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 9, 2019).
- 10.35 Loan Agreement, dated as of April 25, 2018, by and among Cohen & Company Inc., Cohen & Company, LLC, J.V.B. Financial Group, LLC, J.V.B. Financial Group Holdings, LP, C&Co/PrinceRidge Partners LLC and MB Financial Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2018).
- 10.36 First Amendment to Loan Agreement, by and among Cohen & Company Inc., Cohen & Company, LLC, J.V.B. Financial Group Holdings, LP, C&Co PrinceRidge Holdings, LP, dated January 29, 2019 (incorporated by reference to Exhibit 10.30 to the Company's Current Report on Form 10-K filed with the SEC on March 8, 2019).
- 10.37 Amendment No. 1 to Convertible Senior Promissory Note, dated September 25, 2018, by and between Cohen & Company Inc. and the EBC 2013 Family Trust (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 25, 2018).
- 10.38 Senior Promissory Note, dated September 25, 2019, issued by Cohen & Company Inc. to the EBC 2013 Family Trust in the aggregate principal amount of \$2,400,000 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2019).
- 10.39 Amendment No. 1 to Senior Promissory Note, dated September 25, 2020, by and between Cohen & Company Inc. and the EBC 2013 Family Trust (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2020).
- 10.40 Securities Purchase Agreement, dated as of December 30, 2019, by and among Cohen & Company Inc., Cohen & Company, LLC, Daniel G. Cohen and the DGC Family Fintech Trust (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 31, 2019).
- 10.41 Amendment No. 1 to Securities Purchase Agreement, dated September 25, 2020, by and among Cohen & Company Inc., Cohen & Company, LLC, Daniel G. Cohen and the DGC Family Fintech Trust (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2020).
- 10.42 Note Purchase Agreement, dated as of January 31, 2020, by and among Cohen & Company, LLC, JKD Capital Partners I LTD and RN Capital Solutions LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 3, 2020).
- 10.43 Amended and Restated Senior Promissory Note, dated January 31, 2022, issued by Cohen & Company, LLC to JKD Capital Partners I LTD in the aggregate principal amount of \$4,500,000 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2022).
- 10.44 Cohen & Company Inc. Non-Qualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 12, 2020).
- 10.45 Cohen & Company Inc. 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 7, 2020).

- 10.46 Amendment No. 1 to the Cohen & Company Inc. 2020 Long-Term Incentive Plan, dated April 1, 2021, to the original Cohen & Company Inc. 2020 Long-Term Incentive Plan (incorporated by reference to Annex A of the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 13, 2021).
- 10.47 Amendment No. 2 to the Cohen & Company Inc. 2020 Long-Term Incentive Plan, dated March 29, 2022, to the original Cohen & Company Inc. 2020 Long-Term Incentive Plan (incorporated by reference to Annex A of the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 14, 2022).
- 10.48 Form of Restricted Stock Award under Cohen & Company Inc. 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.53 to the Company's Annual Report on Form 10-K filed with the SEC on March 5, 2021).
- 10.49 Second Amended and Restated Revolving Note and Cash Agreement, dated December 21, 2022, by and between J.V.B. Financial Group, LLC and Byline Bank (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 23, 2022).
- 10.50 Subscription Agreement, dated November 24, 2020, by and among INSU Acquisition Corp. II and Cohen & Company LLC, as subscriber (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 30, 2020).
- 10.51 Sponsor Share Cancellation and Vesting Agreement, dated as of November 24, 2020, by and among INSU Acquisition Corp. II and Sponsor (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 30, 2020).
- 10.52 Equity Distribution Agreement, dated December 1, 2020, by and between Cohen & Company Inc. and Northland Capital Markets (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 2, 2020).
- 14.1 Code of Conduct (incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K filed with the SEC on March 10, 2010).
- 21.1 List of Subsidiaries. \*
- 23.1 Consent of Grant Thornton, LLP, Independent Registered Public Accounting Firm, regarding the financial statements of Institutional Financial Markets, Inc. \*
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended. \*
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended. \*
- 32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended. \*
- 32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended. \*
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T formatted inline XBRL: (i) the Consolidated Balance Sheets at December 31, 2022 and December 31, 2021, (ii) the Consolidated Statements of Operations and Comprehensive Income / (Loss) for the Year Ended December 31, 2022, 2021 and 2020, (iii) the Consolidated Statement of Changes in Equity for the Year Ended December 31, 2022, 2021 and 2020, (iv) the Consolidated Statements of Cash Flows for Year Ended December 31, 2022, 2021 and 2020; and (v) Notes to Consolidated Financial Statements. \*
- 104 Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* Furnished herewith.

+ Constitutes a management contract or compensatory plan or arrangement.

# Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Institutional Financial Markets, Inc. hereby undertakes to furnish supplementally copies of any of the omitted schedules or exhibits upon request by the SEC.

† Confidential treatment has been requested for portions of this document. An unredacted version of this exhibit has been filed separately with SEC.

(c) The financial statement schedules listed in the Index to Consolidated Financial Statements and Financial Statement Schedules listed under Item 15.1(a) are included under Item 8 and are presented beginning on page F-1 of this Form 10-K. All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable or is not present in amount sufficient to require submission of the schedule, and therefore have been omitted.

#### ITEM 16. FORM 10-K SUMMARY.

None.

COHEN & COMPANY INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: March 9, 2023

COHEN & COMPANY INC.

By: /S/ LESTER R. BRAFMAN  
**Lester R. Brafman**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ DANIEL G. COHEN</u> <b>Daniel G. Cohen</b>	Executive Chairman	March 9, 2023
<u>/s/ G. STEVEN DAWSON</u> <b>G. Steven Dawson</b>	Director	March 9, 2023
<u>/s/ JACK J. DIMAIO, JR.</u> <b>Jack J. DiMaio, Jr.</b>	Vice Chairman	March 9, 2023
<u>/s/ JACK HARABURDA</u> <b>Jack Haraburda</b>	Director	March 9, 2023
<u>/s/ DIANA L. LIBERTO</u> <b>Diana L. Liberto</b>	Director	March 9, 2023
<u>/s/ DOUGLAS LISTMAN</u> <b>Douglas Listman</b>	Chief Accounting Officer and Assistant Treasurer (Principal Accounting Officer)	March 9, 2023
<u>/s/ JOSEPH W. POOLER, JR.</u> <b>Joseph W. Pooler, Jr.</b>	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 9, 2023

**COHEN & COMPANY INC.**  
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## Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
Cohen & Company Inc.

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Cohen & Company Inc. (a Maryland corporation) and subsidiaries (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2001.

Philadelphia, Pennsylvania  
March 9, 2023

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

COHEN & COMPANY INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

	December 31,	
	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 29,101	\$ 50,567
Receivables from brokers, dealers, and clearing agencies	140,933	68,392
Due from related parties	787	4,581
Other receivables	9,527	3,203
Investments-trading	211,828	223,865
Other investments, at fair value	28,022	56,033
Receivables under resale agreements	437,692	3,175,645
Investments in equity method affiliates	8,929	48,238
Deferred income taxes	6,934	11,513
Goodwill	109	109
Right-of-use asset - operating leases	9,647	10,273
Other assets	3,546	3,885
Total assets	<u>\$ 887,055</u>	<u>\$ 3,656,304</u>
<b>Liabilities</b>		
Payables to brokers, dealers, and clearing agencies	\$ 134,985	\$ 160,896
Accounts payable and other liabilities	11,439	22,819
Accrued compensation	12,434	22,577
Lease liability - operating leases	10,447	10,813
Trading securities sold, not yet purchased	133,957	62,512
Other investments sold, not yet purchased	78	2,488
Securities sold under agreement to repurchase	452,797	3,171,415
Redeemable financial instruments	7,868	7,957
Debt	29,024	43,394
Total liabilities	<u>793,029</u>	<u>3,504,871</u>
Commitments and contingencies (See Note 28)		
<b>Stockholders' Equity:</b>		
Voting Non-Convertible Preferred Stock, \$0.001 par value per share, 50,000,000 shares authorized, 27,413,098 shares issued and outstanding, respectively	27	27
Common Stock, \$0.01 par value per share, 100,000,000 shares authorized, 1,774,342 and 1,697,443 shares issued and outstanding, respectively, including 341,059 and 366,293 unvested or restricted share awards, respectively	17	17
Additional paid-in capital	72,801	72,006
Accumulated other comprehensive loss	(955)	(905)
Accumulated deficit	(25,151)	(9,204)
Total stockholders' equity	46,739	61,941
Non-controlling interest	47,287	89,492
Total equity	94,026	151,433
Total liabilities and equity	<u>\$ 887,055</u>	<u>\$ 3,656,304</u>

See accompanying notes to consolidated financial statements.



COHEN & COMPANY INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME / (LOSS)  
(Dollars in thousands, except share or per share information)

	Year Ended December 31,		
	2022	2021	2020
<b>Revenues</b>			
Net trading	\$ 40,009	\$ 69,385	\$ 73,611
Asset management	9,004	10,923	8,759
New issue and advisory	24,721	28,736	2,234
Principal transactions and other income	(29,347)	37,324	45,506
Total revenue	44,387	146,368	130,110
<b>Operating expenses</b>			
Compensation and benefits	50,290	85,048	59,902
Business development, occupancy, equipment	5,076	3,365	2,708
Subscriptions, clearing, and execution	8,274	10,307	9,887
Professional fee and other operating	8,153	7,684	7,068
Depreciation and amortization	557	371	334
Impairment of goodwill	-	-	7,883
Total operating expenses	72,350	106,775	87,782
Operating income / (loss)	(27,963)	39,593	42,328
<b>Non-operating income / (expense)</b>			
Interest expense, net	(4,982)	(7,233)	(9,589)
Income/(loss) from equity method affiliates	(20,931)	36,010	(2,955)
Other non-operating income	-	2,127	-
Income / (loss) before income tax expense / (benefit)	(53,876)	70,497	29,784
Income tax expense (benefit)	4,794	(3,541)	(8,669)
Net income / (loss)	(58,670)	74,038	38,453
Less: Net income (loss) attributable to the non-convertible non-controlling interest of the Operating LLC	(23,203)	35,574	10,048
Enterprise net income (loss)	(35,467)	38,464	28,405
Less: Net income (loss) attributable to the convertible non-controlling interest of Cohen & Company Inc.	(22,078)	26,656	14,200
Net income / (loss) attributable to Cohen & Company Inc.	\$ (13,389)	\$ 11,808	\$ 14,205
<b>Income / (loss) per share data (see Note 26):</b>			
<b>Income / (loss) per common share-basic:</b>			
Basic income / (loss) per common share	\$ (9.43)	\$ 9.95	\$ 12.56
Weighted average shares outstanding-basic	1,420,383	1,187,029	1,131,085
<b>Income / (loss) per common share-diluted:</b>			
Diluted Income / (loss) per common share	\$ (9.43)	\$ 7.83	\$ 7.66
Weighted average shares outstanding-diluted	1,420,383	5,284,925	5,091,087
<b>Comprehensive income / (loss):</b>			
Net income / (loss)	\$ (58,670)	\$ 74,038	\$ 38,453
Other comprehensive income / (loss) item:			
Foreign currency translation adjustments, net of tax of \$0	(206)	(244)	138
Other comprehensive income / (loss), net of tax of \$0	(206)	(244)	138
Comprehensive income / (loss)	(58,876)	73,794	38,591
Less: comprehensive income / (loss) attributable to the non-controlling interest	(45,433)	62,060	24,351
Comprehensive income / (loss) attributable to Cohen & Company Inc.	\$ (13,443)	\$ 11,734	\$ 14,240

See accompanying notes to consolidated financial statements.

COHEN & COMPANY INC.

Consolidated Statement of Changes in Equity  
(Dollars in thousands)

	Cohen & Company Inc.							
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income / (Loss)	Total Stockholders' Equity	Non- controlling Interest	Total Equity
Balance at December 31, 2019	\$ 27	\$ 12	\$ 68,714	\$ (34,519)	\$ (915)	33,319	\$ 15,437	\$ 48,756
Net income	-	-	-	14,205	-	14,205	24,248	38,453
Other comprehensive income	-	-	-	-	35	35	103	138
Acquisition of additional units in consolidated subsidiary, net	-	-	(1,765)	-	59	(1,706)	1,706	-
Equity-based compensation	-	1	239	-	-	240	12,313	12,553
Shares withheld for employee taxes	-	-	(15)	-	-	(15)	(39)	(54)
Purchase and retirement of common stock	-	-	(2,142)	-	-	(2,142)	-	(2,142)
Dividends/distributions to convertible non-controlling interest	-	-	-	(27)	-	(27)	(35)	(62)
Non-convertible non-controlling interest investment	-	-	-	-	-	-	13,489	13,489
Non-convertible non-controlling interest distributions	-	-	-	-	-	-	(9,694)	(9,694)
Balance at December 31, 2020	\$ 27	\$ 13	\$ 65,031	\$ (20,341)	\$ (821)	\$ 43,909	\$ 57,528	\$ 101,437
Net income	-	-	-	11,808	-	11,808	62,230	74,038
Other comprehensive (loss)	-	-	-	-	(74)	(74)	(170)	(244)
Common stock issued, net	-	3	9,073	-	-	9,076	-	9,076
Acquisition / (surrender) of additional units in consolidated subsidiary, net	-	-	(1,929)	-	(10)	(1,939)	1,939	-
Equity-based compensation	-	1	790	-	-	791	14,927	15,718
Shares withheld for employee taxes	-	-	(102)	-	-	(102)	(276)	(378)
Purchase and retirement of common stock	-	-	(857)	-	-	(857)	-	(857)
Dividends/distributions to convertible non-controlling interest	-	-	-	(671)	-	(671)	(2,103)	(2,774)
Non-convertible non-controlling interest investment	-	-	-	-	-	-	17,095	17,095
Non-convertible non-controlling interest distributions	-	-	-	-	-	-	(61,678)	(61,678)
Balance at December 31, 2021	\$ 27	\$ 17	\$ 72,006	\$ (9,204)	\$ (905)	\$ 61,941	\$ 89,492	\$ 151,433
Net (loss)	-	-	-	(13,389)	-	(13,389)	(45,281)	(58,670)
Other comprehensive (loss)	-	-	-	-	(54)	(54)	(152)	(206)
Acquisition / (surrender) of additional units of consolidated subsidiary, net	-	-	(338)	-	4	(334)	334	-
Equity-based compensation	-	-	1,209	-	-	1,209	3,181	4,390
Shares withheld for employee taxes	-	-	(76)	-	-	(76)	(158)	(234)
Dividends/distributions to convertible non-controlling interest	-	-	-	(2,558)	-	(2,558)	(6,485)	(9,043)
Convertible non-controlling interest investment	-	-	-	-	-	-	15,000	15,000
Non-convertible non-controlling interest investment	-	-	-	-	-	-	9	9
Non-convertible non-controlling interest distributions	-	-	-	-	-	-	(8,653)	(8,653)
Balance at December 31, 2022	\$ 27	\$ 17	\$ 72,801	\$ (25,151)	\$ (955)	\$ 46,739	\$ 47,287	\$ 94,026

See accompanying notes to consolidated financial statements.

COHEN & COMPANY INC.

Consolidated Statements of Cash Flows  
(Dollars in thousands)

	Year Ended December 31,		
	2022	2021	2020
Operating activities			
Net income (loss)	\$ (58,670)	\$ 74,038	\$ 38,453
Adjustments to reconcile net income / (loss) to net cash provided by (used in) operating activities:			
Equity-based compensation	4,390	15,718	12,553
Accretion of income on other investments, at fair value	-	-	(124)
Loss (gain) on other investments, at fair value	30,914	(35,421)	(43,413)
Loss (gain) on other investments, sold not yet purchased	(307)	(830)	(1,063)
Noncash advisory fees received	(7,416)	-	-
(Income) / loss from equity method affiliates	20,931	(36,010)	2,955
Depreciation and amortization	557	371	334
Impairment of goodwill	-	-	7,883
Amortization of discount on debt	630	860	736
Deferred tax provision / (benefit)	4,579	(4,116)	(8,877)
Other non-operating income - forgiveness of debt	-	(2,127)	-
Change in operating assets and liabilities, net:			
Change in receivables from/ payables to brokers, dealers, and clearing agencies	(98,452)	(11,257)	(41,368)
Change in receivables from / payables to related parties, net	3,794	(3,872)	(2,346)
(Increase) decrease in other receivables	(6,324)	726	42,696
(Increase) decrease in investments-trading	12,037	19,096	64,891
(Increase) decrease in receivables under resale agreement	2,737,953	2,540,698	1,783,659
(Increase) decrease in other assets	981	(4,858)	4,340
Increase (decrease) in accounts payable and other liabilities	(11,769)	(19,189)	24,552
Increase (decrease) in accrued compensation	(10,143)	8,218	10,313
Increase (decrease) in trading securities sold, not yet purchased	71,445	18,073	(33,508)
Increase (decrease) in securities sold under agreement to repurchase	(2,718,618)	(2,541,797)	(1,821,231)
Net cash provided by (used in) operating activities	(23,488)	18,321	41,435
Investing activities			
Purchase of investments - other investments, at fair value	(7,236)	(123,098)	(62,282)
Purchase of investments - other investments sold, not yet purchased, at fair value	(6,001)	(59,098)	(12,519)
Sales and returns of principal - other investments, at fair value	27,091	112,013	54,748
Sales and returns of principal - other investments sold, not yet purchased, at fair value	3,054	56,820	20,997
Investments in equity method affiliates	(2,614)	(8,392)	(12,675)
Distribution from equity method affiliate	77	249	-
Purchase of furniture, equipment, and leasehold improvements	(573)	(1,028)	(217)
Net cash provided by (used in) investing activities	13,798	(22,534)	(11,948)
Financing activities			
Proceeds from draws on revolving credit facility	-	17,500	17,500
Repayment of draws on revolving credit facility	-	(17,500)	(17,500)
Proceeds from PPP loan	-	-	2,166
Proceeds from debt	2,250	-	4,500
Repayment of debt	(2,250)	(2,400)	(9,163)
Payments for debt issuance costs	-	-	(24)
Repayment of redeemable financial instrument	-	(4,000)	(4,921)
Cash used to net share settle equity awards	(234)	(378)	(54)
Proceeds from issuance of Common Stock	-	9,076	-
Purchase and retirement of Common Stock	-	(857)	(2,142)
Cohen & Company Inc. dividends	(2,558)	(671)	(27)
Operating LLC non-controlling interest distributions	(6,485)	(1,970)	(35)
Non-convertible non-controlling interest investment	9	17,095	13,489
Non-convertible non-controlling interest distributions	(2,236)	(2,734)	-
Net cash provided by (used in) financing activities	(11,504)	13,161	3,789
Effect of exchange rate on cash	(272)	(377)	416
Net increase (decrease) in cash and cash equivalents	(21,466)	8,571	33,692
Cash and cash equivalents, beginning of period	50,567	41,996	8,304
Cash and cash equivalents, end of period	\$ 29,101	\$ 50,567	\$ 41,996

See accompanying notes to consolidated financial statements.

COHEN & COMPANY INC.

Notes to Consolidated Financial Statements  
December 31, 2022  
(Dollars in thousands, except share and per share information)

1. ORGANIZATION AND NATURE OF OPERATIONS

*Organizational History*

Cohen Brothers, LLC ("Cohen Brothers") was formed on October 7, 2004 by Cohen Bros. Financial, LLC ("CBF"). Cohen Brothers was established to acquire the net assets of CBF's subsidiaries (the "Formation Transaction"): Cohen Bros. & Company, Inc.; Cohen Frères SAS; Dekania Investors, LLC; Emporia Capital Management, LLC; and the majority interest in Cohen Bros. & Toroian Investment Management, Inc. The Formation Transaction was accomplished through a series of transactions occurring between March 4, 2005 and May 31, 2005.

From its formation until December 16, 2009, Cohen Brothers operated as a privately-owned limited liability company. On December 16, 2009, Cohen Brothers completed its merger (the "AFN Merger") with a subsidiary of Alesco Financial Inc. ("AFN"), a publicly traded real estate investment trust.

As a result of the AFN Merger, AFN contributed substantially all of its assets into Cohen Brothers in exchange for newly issued units of membership interests directly from Cohen Brothers. In addition, AFN received additional Cohen Brothers membership interests directly from its members in exchange for AFN common stock. In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the AFN Merger was accounted for as a reverse acquisition, and Cohen Brothers was deemed to be the accounting acquirer. As a result, all of AFN's assets and liabilities were required to be revalued at fair value as of the acquisition date. The remaining units of membership interests of Cohen Brothers that were not held by AFN were included as a component of non-controlling interest in the consolidated balance sheets.

Subsequent to the AFN Merger, AFN was renamed Cohen & Company Inc. In January 2011, it was renamed again as Institutional Financial Markets, Inc. ("IFMI") and on September 1, 2017 it was renamed again as Cohen & Company Inc. Effective January 1, 2010, the Company ceased to qualify as a REIT.

*The Company*

The Company is a financial services company specializing in an expanding range of capital markets and asset management services. As of December 31, 2022, the Company had \$2.12 billion in assets under management ("AUM") of which \$1.05 billion, was in collateralized debt obligations ("CDOs"). The remaining portion of AUM is from a diversified mix of Investment Vehicles (as defined herein).

In these financial statements, the "Company" refers to Cohen & Company Inc. and its subsidiaries on a consolidated basis. Cohen & Company, LLC or the "Operating LLC" refers to the main operating subsidiary of the Company. "Cohen Brothers" refers to the pre-AFN Merger Cohen Brothers, LLC and its subsidiaries. "AFN" refers to the pre-merger Alesco Financial Inc. and its subsidiaries. When the term "Cohen & Company Inc." is used, it is referring to the parent company itself. "JVB Holdings" refers to J.V.B. Financial Holdings, LP; "JVB" refers to J.V.B. Financial Group LLC, a broker dealer subsidiary; "CCFESA" refers to Cohen & Company Financial Europe S.A., a majority owned subsidiary regulated by the Autorite de Controle Prudentiel et de Resolution ("ACPR"), a majority owned subsidiary; "CCFL" refers to Cohen & Company Financial Limited (formerly known as EuroDekania Management LTD), a subsidiary formerly regulated by the Financial Conduct Authority (formerly known as Financial Services Authority) in the United Kingdom; "CCFEL" refers to Cohen & Company Financial (Europe) Limited, a subsidiary formerly regulated by the Central Bank of Ireland in Ireland.

The Company's business is organized into the following three business segments.

**Capital Markets:** The Company's Capital Markets business segment consists primarily of fixed income sales, trading, gestation repo financing, new issue placements in corporate and securitized products, and advisory services. The Company's fixed income sales and trading group provides trade execution to corporate investors, institutional investors, mortgage originators, and other smaller broker-dealers. The Company specializes in a variety of products, including but not limited to: corporate bonds, asset backed securities ("ABS"), mortgage backed securities ("MBS"), residential mortgage backed securities ("RMBS"), CDOs, collateralized loan obligations ("CLOs"), collateralized bond obligations ("CBOs"), collateralized mortgage obligations ("CMOs"), municipal securities, to-be-announced securities ("TBAs") and other forward agency MBS contracts, U.S. government bonds, U.S. government agency securities, brokered deposits and certificates of deposit ("CDs") for small banks, and hybrid capital of financial institutions including trust preferred securities ("TruPS"), whole loan, and other structured financial instruments. The Company operates its capital markets activities primarily through its subsidiaries: JVB in the United States, and CCFESA in Europe. A division of JVB, Cohen & Company Capital Markets ("CCM") is the Company's full-service boutique investment bank which focuses on M&A, capital markets, and SPAC advisory.

**Asset Management:** The Company's Asset Management business segment manages assets within CDOs, managed accounts, joint ventures, and investment funds (collectively referred to as "Investment Vehicles"). A CDO is a form of secured borrowing. The borrowing is secured by different types of fixed income assets such as corporate or mortgage loans or bonds. The borrowing is in the form of a securitization, which means that the lenders are actually investing in notes backed by the assets. In the event of default, the lenders will have recourse only to the assets securing the loan. The Company's Asset Management business segment includes its fee-based asset management operations, which include ongoing base and incentive management fees.

Principal Investing: The Company's Principal Investing business segment is comprised of investments that the Company holds related to its SPAC franchise and other investments the Company has made for the purpose of earning an investment return rather than investments made to support the Company's trading and other Capital Markets business segment activities. These investments are included in the Company's other investments, at fair value; other investments sold, not yet purchased; and investments in equity method affiliates in the Company's consolidated balance sheets.

The Company generates its revenue by business segment primarily through the following activities.

#### Capital Markets

- Trading activities of the Company, which include execution and brokerage services, riskless trading activities as well as gains and losses (unrealized and realized) and income and expense earned on securities and derivatives classified as trading;
- Net interest income on the Company's matched book repo financing activities; and
- New issue and advisory revenue comprised primarily of (i) new issue revenue associated with originating, arranging, or placing newly created financial instruments; and (ii) revenue from advisory services.

#### Asset Management

- Asset management fees for the Company's on-going asset management services provided to certain Investment Vehicles, which may include fees both senior and subordinate to the securities in the Investment Vehicle, and incentive management fees earned based on the performance of the various Investment Vehicles.

#### Principal Investing

- Gains and losses (unrealized and realized) and income and expense earned on securities classified as other investments, at fair value and other investments sold not yet purchased; and
- Income and loss earned on equity method investments.

The Company carries out certain activities at the Operating LLC (including a material amount of its principal investing activities). The remaining activities noted above were carried out through the following main operating subsidiaries of the Company as of December 31, 2022.

1. Cohen & Company Financial Management, LLC ("CCFM") is a wholly owned subsidiary of the Operating LLC and acts as asset manager and investment adviser to the Alesco III, Alesco IV, Alesco V, Alesco VI, and Alesco VIII CDOs. Alesco CDOs invest in bank and insurance company TruPS as well as insurance company subordinated debt. CCFM also manages the SPAC Fund and SPAC Series Funds.
2. Dekania Capital Management, LLC ("DCM") is a wholly owned subsidiary of the Operating LLC and acts as asset manager and investment adviser to the Company's Dekania Europe II and Dekania Europe III CDOs. The Dekania Europe CDOs invest primarily in financial institution TruPS and insurance company subordinated debt denominated in Euros. DCM also manages the U.S. Insurance JV.
3. JVB is a wholly owned subsidiary of the Operating LLC. JVB is a securities broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Industry Protection Corporation ("SIPC"). JVB carries out the Company's Capital Market business segment activities in the U.S.
4. CCFL was previously regulated by the United Kingdom Financial Conduct Authority ("FCA"). CCFL in the past acted as asset manager and investment adviser to the Company's Dekania Europe III CDO. CCFL also carried out certain of the Company's Capital Markets business segment activities in Europe including brokerage, advisory, and new issue services. During 2020, CCFL reduced its permissions with the FCA and no longer is a regulated entity. As a result no capital requirement is necessary in the United Kingdom. The Company dissolved CCFL in April 2022.
5. CCFESA is regulated by the Autorite de Controle Prudentiel et de Resolution ("ACPR"), performs asset management and capital market activities in France and the European Union.
6. CCFEL was regulated by Central Bank of Ireland ("CBI"), and performed asset management and capital markets activities in Ireland and the European Union. In 2021, the Company transferred CCFEL's activities to CCFESA and began the process of withdrawing from regulation under CBI. As of December 31, 2022, CCFEL no longer carries out any regulated activity, having received approval of its withdrawal of authorizations from the CBI.
7. Cohen & Compagnie SAS (formerly Cohen Frères SAS), the Company's French subsidiary, acts as a credit research adviser to DCM and CCFESA in analyzing the creditworthiness of insurance companies and financial institutions in Europe with respect to all assets included in the Dekania Europe CDOs and certain other Investment Vehicles.
8. SPAC Sponsor Entities: A series of LLC's set up to pool investor funds and invest in private placements of Company sponsored special purpose acquisition companies ("SPACs"). See note 4.

## 2. BASIS OF PRESENTATION

The accounting and reporting policies of the Company conform to U.S. GAAP. Certain prior period amounts have been reclassified to conform to the current period presentation.

### *CORRECTION OF AN IMMATERIAL ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS*

During the three months ended March 31, 2022, the Company determined that it had made an error when calculating its December 31, 2021 deferred tax asset and current tax payable related to its net operating loss carryforwards in certain local jurisdictions. Accordingly, the Company recorded an adjustment in that period and revised the December 31, 2021 balances presented herein. The below table shows the line items impacted and compares the amounts as previously stated to the revised amounts included in Item 1 of this report.

The balance sheet amounts shown below are as of December 31, 2021. The income statement amounts are for the year ended December 31, 2021.

<b>Balance Sheet</b>	As Stated	Revised	Change
Deferred income taxes	\$ 9,468	\$ 11,513	\$ 2,045
Accounts payable and other liabilities	22,701	22,819	118
Accumulated deficit	(9,730)	(9,204)	526
Non-controlling interest	\$ 88,091	\$ 89,492	\$ 1,401
<b>Income Statement</b>			
Income tax expense (benefit)	\$ (1,614)	\$ (3,541)	\$ (1,927)
Net Income (loss)	72,111	74,038	1,927
Net Income attributable to non-controlling interests	60,829	62,230	1,401
Net income (loss) attributable to Cohen & Company Inc.	\$ 11,282	\$ 11,808	\$ 526
Basic Earnings Per Share	\$ 9.50	\$ 9.95	\$ 0.45
Diluted Earnings Per Share	\$ 7.48	\$ 7.83	\$ 0.35

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *A. Principles of Consolidation*

The consolidated financial statements reflect the accounts of Cohen & Company Inc. and its subsidiaries that are required to be consolidated under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, *Consolidation* (“ASC 810”). All intercompany accounts and transactions have been eliminated in consolidation.

The Company consolidates the Operating LLC, which is its main operating subsidiary and through which it carries out nearly all of its activities. With the exception of the junior subordinated notes included as a component of debt and the deferred tax liability, nearly all of the assets and liabilities included in the Company’s consolidated balance sheet are owned by the Operating LLC or its consolidated subsidiaries. In addition, with the exception of interest expense related to the junior subordinated notes and corporate tax expense, nearly all revenues, expenses, gains, and losses recognized in the consolidated statement of operations are generated by the Operating LLC or its consolidated subsidiaries.

As of December 31, 2018, the Company owned 67.60% of the economic and voting interests in the Operating LLC. As a result of the issuance of additional equity interests in the Operating LLC during 2019 and the grant of a proxy from the owners of the additional equity interests, effective December 31, 2022 and 2021, the Company controlled 51.00% of the voting interest and owned 26.55% and 31.79%, respectively, of the economic interest of the Operating LLC. Although the Company’s economic interests declined below 50%, it continues to consolidate the Operating LLC as it controls over 50% of the voting interests. Earnings and loss are allocated to the Company and other members of the Operating LLC based on their economic interest rather than their voting interest. For the years ended December 31, 2022, 2021, and 2020, 73.45%, 70.61%, and 72.64%, respectively, of the Operating LLC’s income or loss were treated as a non-controlling interest as the result of the issuance of the additional equity interest in the Operating LLC during 2019. See notes 21, and 31.

### *B. Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### C. Adoption of New Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires that financial instruments recorded as assets and at amortized cost as well as certain securities accounted for as available for sale be presented at the net amount expected to be collected. The ASU requires the recording of a valuation allowance that is deducted from amortized cost and is based on expected credit losses. This ASU does not apply to financial assets carried at fair value. Therefore, this ASU does not apply to any financial asset that the Company classifies as investments-trading; other investments, at fair value; trading securities sold, not yet purchased; and other investments sold, not yet purchased. However, reverse repurchase agreements are not carried at fair value and fall within the scope of this ASU. ASC 326-20-35-6 contains simplifying provisions that apply to reverse repurchase agreements. Because the Company requires its reverse repurchase counterparty to provide liquid collateral at all times (which is continually adjusted based on current market values) at an amount greater than the carrying value of the reverse repurchase agreement, the Company is allowed to assume zero credit losses and no valuation allowance is recorded. If, for some reason, the amount of collateral should fall below the carrying value of the reverse repurchase agreement, the total valuation allowance recorded is limited to that difference. The Company adopted the provisions of ASU 2016-13 effective January 1, 2020.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this ASU eliminate Step 2 from the goodwill impairment test. The annual or interim goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company adopted the provisions of ASU 2017-04 effective January 1, 2020. The Company recorded an impairment of goodwill for the twelve months ended December 31, 2020. See note 13. This impairment charge was not the result of the adoption of ASU 2017-04.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU modifies the disclosure requirements in Topic 820, by removing certain disclosure requirements related to the valuation hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop level 3 fair value measurements. This ASU is effective for public companies for annual reporting periods and interim periods within those annual periods beginning after December 15, 2019. The Company's adoption of the provisions of ASU 2018-13, effective January 1, 2020, did not have an effect on the Company's consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17, *Consolidation (Topic 810): Target Improvements to Related Party Guidance for Variable Interest Entities*. The ASU made targeted changes to the related party consolidation guidance. The new guidance changes how entities evaluate decision-making fees under the variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity will need to consider indirect interests held through related parties under common control on a proportionate basis under the new guidance, rather than in their entirety, as has been the case under current guidance. The guidance is effective in annual periods beginning after December 15, 2019 and interim periods within those fiscal years. The Company's adoption of the provisions of ASU 2018-17, effective January 1, 2020, did not have an effect on the Company's consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606*. The ASU provides more comparability in the presentation of revenue for certain transactions between collaborative arrangement participants. It accomplishes this by allowing organizations to only present units of account in collaborative arrangements that are within the scope of the revenue recognition standard together with revenue accounted for under the revenue recognition standard. The parts of the collaborative arrangement that are not in the scope of the revenue recognition standard should be presented separately from revenue accounted for under the revenue standard. The Company's adoption of the provisions of ASU 2018-18, effective January 1, 2020, did not have an effect on the Company's consolidated financial statements.



In November 2019, the FASB issued ASU 2019-08, *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*. This ASU requires companies to measure and classify (on the balance sheet) share-based payments to customers by applying the guidance in Topic 718, *Compensation—Stock Compensation*. As a result, the amount recorded as a reduction in revenue would be measured based on the grant-date fair value of the share-based payment. The Company's adoption of the provisions of ASU 2019-08, effective January 1, 2020, did not have an effect on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify accounting for income taxes. It removes specific exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. The Company's adoption of the provisions of ASU 2019-12, effective January 1, 2021, did not have an effect on the Company's consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This ASU clarifies certain accounting certain topics impacted by Topic 321 Investments-Equity Securities. These topics include measuring equity securities using the measurement alternative, how the measurement alternative should be applied to equity method accounting, and certain forward contracts and purchased options which would be accounted for under the equity method of accounting upon settlement or exercise. The Company's adoption of the provisions of ASU 2020-01, effective January 1, 2021, did not have an effect on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. Certain aspects of this topic were later enhanced and clarified in January 2021 when the FASB issued ASU 2021-01 *Reference Rate Reform (Topic 848)*. These ASUs provides temporary optional guidance to ease the burden in accounting for reference rate reform by providing optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help stakeholders during the global market-wide reference rate transition period and will be in effect for a limited time through December 31, 2022. In December 2022, FASB issued ASU 2022-06 (*Topic 848*) and deferred the sunset date from December 31, 2022 to December 31, 2024. The Company's adoption of the provisions of ASU 2020-04 and ASU 2021-01, effective March 12, 2020, is on a prospective basis. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements. See note 20.

In October 2020, the FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. The ASU clarifies that an entity should reevaluate whether a callable debt security is within the scope of ASC paragraph 310-20-35-33 for each reporting period. The Company's adoption of the provisions of ASU 2020-08, effective January 1, 2022, did not have an effect on the Company's consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10 *Codification Improvements*. The ASU affects a wide variety of Topics in the Codification. The ASU, among other things, contains amendments that improve consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section. Many of the amendments arose because the FASB provided an option to give certain information either on the face of the financial statements or in the notes to financial statements and that option only was included in the Other Presentation Matters Section of the Codification. The option to disclose information in the notes to financial statements should have been codified in the Disclosure Section as well as the Other Presentation Matters Section (or other Section of the Codification in which the option to disclose in the notes to financial statements appears). The Company's adoption of the provisions of ASU 2020-10, effective January 1, 2022, did not have an effect on the Company's consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This ASU provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another topic. It specifically addresses: (1) how an entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange; (2) how an entity should measure the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange; and (3) how an entity should recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The Company's adoption of the provisions of ASU 2021-04, effective January 1, 2022, did not have an effect on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments in improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The Company's adoption of the provisions of ASU 2021-08, effective January 1, 2022, did not have an effect on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This ASU includes amendments that are expected to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance they receive. The amendments require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance: (i) information about the nature of the transactions and the related accounting policy used to account for the transactions; (ii) the line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item; and (iii) significant terms and conditions of the transactions, including commitments and contingencies. The Company's adoption of the provisions of ASU 2021-10, effective January 1, 2022, did not have an effect on the Company's consolidated financial statements.

#### *D. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and short-term, highly liquid investments that have original maturities of three months or less. A portion of the Company's cash and cash equivalents are in the form of short-term investments and are not held in federally insured bank accounts.

## E. Financial Instruments

The Company accounts for its investment securities at fair value under various accounting literature including FASB ASC 320, *Investments — Debt and Equity Securities* (“ASC 320”), pertaining to investments in debt and equity securities and the fair value option of financial instruments in FASB ASC 825, *Financial Instruments* (“ASC 825”). The Company also accounts for certain assets at fair value under applicable industry guidance such as: (a) FASB ASC 946, *Financial Services-Investment Companies* (“ASC 946”); and (b) FASB ASC 940-320, *Proprietary Trading Securities* (“ASC 940-320”).

Certain of the Company’s assets and liabilities are required to be measured at fair value. For those assets and liabilities, the Company determines fair value according to the fair value measurement provisions included in ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, establishes a valuation hierarchy based on the quality of inputs used to measure fair value, and requires additional disclosures about fair value measurements. The definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability between market participants at the measurement date (an exit price). An exit price valuation will include margins for risk even if they are not observable. ASC 820 establishes a valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (level 1, 2, and 3).

In addition, the Company has elected to account for certain of its other financial assets at fair value under the fair value option provisions included in ASC 825. This standard provides companies the option of reporting certain instruments at fair value (with changes in fair value recognized in the statement of operations) that were previously either carried at cost, not recognized on the financial statements, accounted for as an equity method investment, or carried at fair value with changes in fair value recognized as a component of equity rather than in the statement of operations. The election is made on an instrument-by-instrument basis and is irrevocable. See note 9 for the information regarding the effects of applying the fair value option to the Company’s financial instruments on the Company’s consolidated financial statements.

For financial instruments held by JVB, the Company accounts for them under ASC 940-320. ASC 940-320 requires all financial instruments be carried at fair value with unrealized and realized gains included recorded in the consolidated statement of operations. The main difference between ASC 940-320 and ASC 320 is that ASC 940-320 does not allow for available for sale or held to maturity treatment.

For financial instruments held outside of JVB, the Company accounts for them under ASC 320. ASC 320 requires that the Company classify its investments as either (i) held to maturity, (ii) available for sale, or (iii) trading. This determination is made at the time a security is purchased. ASC 320 requires that both trading and available for sale securities are to be carried at fair value. However, in the case of trading assets, both unrealized and realized gains and losses are recorded in the statement of operations. For available for sale securities, only realized gains and losses are recognized in the statement of operations while unrealized gains and losses are recognized as a component of other comprehensive income (“OCI”). However, if the reporting entity elects to account for an otherwise available for sale security under the fair value option (ASC 825), then the security is accounted for at fair value with both unrealized and realized gains recorded in the statement of operations. In all the periods presented, all securities accounted for under ASC 320 were either classified as trading or available for sale. No securities were classified as held to maturity. Furthermore, the Company elected the fair value option, in accordance with ASC 825, for all securities that were classified as available for sale. Therefore, for all periods presented, all securities owned by the Company were accounted for at fair value with unrealized and realized gains and losses recorded in the consolidated statement of operations.

When the Company acquires an investment for the purpose of earning a return rather than to support the Company’s trading or matched book repo operations, the Company classifies that investment as either other investments, at fair value or other investments sold, not yet purchased in the consolidated balance sheet and unrealized and realized gains will be included as a component of principal transactions and other income in the in the consolidated statement of operations. Otherwise, the investment is classified as investments-trading or securities sold, not yet purchased in the consolidated balance sheet and unrealized and realized gains will be included as a component of net trading revenue in the in the consolidated statement of operations.

When the Company acquires an investment that is required to be accounted for under the equity method, the Company will elect the fair value option when the fair value of the investment is either readily determinable or is eligible to be accounted for at NAV under the practical expedient of ASC 946. In those cases, the investment will be included as a component of other investments, at fair value in the consolidated balance sheet and unrealized and realized gains will be included as a component of principal transactions and other income in the consolidated statement of operations. If the fair value is not readily determinable, the Company will account for the investment under the equity method. In those cases, the investment will be included as a component of investments in equity method affiliates in the consolidated balance sheet and the Company will recognize its allocable share of the investee's income or loss as a component of income / (loss) from equity method affiliates in the consolidated statement of operations. See note 12.

The determination of fair value is based on either quoted market prices of an active exchange, independent broker market quotations, market price quotations from third-party pricing services, or, when independent broker quotations or market price quotations from third-party pricing services are unavailable, valuation models prepared by the Company's management. These models include estimates and the valuations derived from them could differ materially from amounts realizable in an open market exchange.

Also, from time to time, the Company may be deemed to be the primary beneficiary of a VIE and may be required to consolidate it and its investments under the provisions included in ASC 810. See note 18. In those cases, the Company's classification of the assets as trading, other investments, at fair value, available for sale, or held to maturity will depend on the intended use of the investment by the variable interest entity.

#### *Investments-Trading*

Unrealized and realized gains and losses on securities classified as investments-trading are recorded in net trading in the consolidated statements of operations.

#### *Trading Securities Sold, Not Yet Purchased*

Trading securities sold, not yet purchased represent obligations of the Company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. The Company is obligated to acquire the securities sold short at prevailing market prices, which may exceed the amount reflected on the consolidated balance sheets. Unrealized and realized gains and losses on trading securities sold, not yet purchased are recorded in net trading in the consolidated statements of operations.

#### *Other Investments, at Fair Value*

All gains and losses (unrealized and realized) from securities classified as other investments, at fair value in the consolidated balance sheets are recorded as a component of principal transactions and other income in the consolidated statements of operations.

#### *Other investments sold, not yet purchased*

Other investments sold, not yet purchased represent obligations of the Company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. These investments differ from investments classified as trading securities sold, not yet purchased as they are either acquired for purposes of earning a return rather than to support the Company's trading or matched book operations or they are acquired as an economic hedge to investments classified as other investments, at fair value. The Company is obligated to acquire the securities sold short at prevailing market prices, which may exceed the amount reflected on the statement of financial condition. Unrealized and realized gains and losses on other investments sold, not yet purchased are recorded as a component of principal transactions and other in the consolidated statement of operations.

#### *F. Derivative Financial Instruments*

FASB ASC 815, *Derivatives and Hedging* ("ASC 815"), provides for optional hedge accounting. When a derivative is deemed to be a hedge and certain documentation and effectiveness testing requirements are met, reporting entities can record all or a portion of the change in the fair value of a designated hedge as an adjustment to OCI rather than as a gain or loss in the statements of operations. To date, the Company has not designated any derivatives as hedges under the provisions included in ASC 815.

All of the derivatives that the Company enters into contain master netting arrangements. If certain requirements are met, the offsetting provisions included in FASB ASC 210, *Balance Sheet* ("ASC 210"), allow (but do not require) the reporting entity to net the derivative asset and liability on the consolidated balance sheets. It is the Company's policy to present the derivative assets and liabilities on a net basis if the conditions of ASC 210 are met. However, in general the Company does not enter in to offsetting derivatives with the same counterparties.

Derivative financial instruments are recorded at fair value. If the derivative was entered into as part of the Company's broker-dealer operations, it will be included as a component of investments-trading or trading securities sold, not yet purchased. If it is entered into as a hedge for another financial instrument included in other investments, at fair value then the derivative or as a speculative principal investment, it will be included as a component of other investments, at fair value or other investments sold, not yet purchased.

The Company may, from time to time, enter into derivatives to manage its risk exposures arising from (i) fluctuations in foreign currency rates with respect to the Company's investments in foreign currency denominated investments; (ii) the Company's investments in interest sensitive investments; (iii) the Company's investments in equities; and (iv) the Company's facilitation of mortgage-backed trading. Derivatives entered into by the Company, may include (a) foreign currency forward contracts; (b) purchase and sale agreements of TBAs and other forward agency MBS contracts; and (c) other extended settlement trades.

TBAs are forward contracts to purchase or sell MBS whose collateral remain "to be announced" until just prior to the trade settlement. In addition to TBAs, the Company sometimes enters into forward purchases or sales of agency MBS where the underlying collateral has been identified. These transactions are referred to as other forward agency MBS contracts. TBAs and other forward agency MBS contracts are accounted for as derivatives by the Company under ASC 815. The settlement of these transactions is not expected to have a material effect on the Company's consolidated financial statements.

In addition to TBAs and other forward agency MBS contracts as part of the Company's broker-dealer operations, the Company may from time to time enter into other securities or loan trades that do not settle within the normal securities settlement period. In those cases, the purchase or sale of the security or loan is not recorded until the settlement date. However, from the trade date until the settlement date, the Company's interest in the security is accounted for as a derivative as either a forward purchase commitment or forward sale commitment. The Company will classify the related derivative either within investments-trading or other investments, at fair value depending on where it intends to classify the investment once the trade settles.

Derivatives involve varying degrees of off-balance sheet risk, whereby changes in the level or volatility of interest rates or market values of the underlying financial instruments may result in changes in the value of a particular financial instrument in excess of its carrying amount. Depending on the Company's investment strategy, realized and unrealized gains and losses are recognized in principal transactions and other income or in net trading in the Company's consolidated statements of operations on a trade date basis. See note 10.

#### *G. Receivables from and payables to brokers, dealers, and clearing agencies*

Receivables from brokers, dealers, and clearing agencies may include amounts receivable for deposits placed with clearing agencies, funds in the Company's accounts held with clearing agencies, and amounts receivable from securities or repo transactions that have failed to deliver. Payables to brokers, dealers, and clearing agencies may include amounts payable from securities or repo transactions that have failed to receive as well as amounts borrowed from clearing agencies under margin loan arrangements. In addition, receivables or payables arising from unsettled regular way trades is reflected on a net basis either as a component of receivables from or payables to brokers, dealers, and clearing agencies. These receivables are subject to the requirements of ASU 2016-13, which potentially may require the recording of credit losses. The Company's trades and contracts are cleared through a clearing organization and settled daily between the clearing organization and the Company. Because of this daily settlement, the amount of unsettled credit exposures is limited to the amount owed the Company for a very short period of time. The Company continually reviews the credit quality of its counterparties and has not incurred a material loss. As a result, the Company has not recorded a credit loss allowance on these receivables. See note 6.

#### *H. Furniture, Equipment, and Leasehold Improvements, Net*

Furniture, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization, and are included as a component of other assets in the consolidated balance sheets. Furniture and equipment are depreciated on a straight-line basis over their estimated useful life of 3 to 5 years. Leasehold improvements are amortized over the lesser of their useful life or lease term, which generally ranges from 5 to 10 years. See note 16.

#### *I. Goodwill and Intangible Assets with Indefinite Lives*

Goodwill represents the amount of the purchase price in excess of the fair value assigned to the individual assets acquired and liabilities assumed in various acquisitions completed by the Company. See note 13. In accordance with FASB ASC 350, Intangibles — Goodwill and Other ("ASC 350"), goodwill and intangible assets deemed to have indefinite lives are not amortized to expense but rather are analyzed for impairment.

The Company measures its goodwill for impairment on an annual basis or when events indicate that goodwill may be impaired. The impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, any loss recognized would not exceed the total amount of goodwill, allocated to the reporting unit. Any impairment loss is included in the consolidated statements of operations as impairment of goodwill and is included as a component of operating expense.

The Company includes intangible assets comprised primarily of its broker-dealer licenses in other assets on its consolidated balance sheets that it considers to have indefinite useful lives. The Company reviews these assets for impairment on an annual basis.

#### *J. Variable Interest Entities*

ASC 810 contains the guidance surrounding the definition of a VIE, the definition of variable interests, and the consolidation rules surrounding VIEs. In general, VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company has variable interests in VIEs through its management contracts and investments in various securitization entities including CLOs and CDOs, SPAC Fund, and SPAC Sponsor Entities.

Once it is determined that the Company holds a variable interest in a VIE, ASC 810 requires that the Company perform a qualitative analysis to determine (i) which entity has the power to direct the matters that most significantly impact the VIE's financial performance and (ii) if the Company has the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive the benefits of the VIE that could potentially be significant to the VIE. The entity that has both of these characteristics is deemed to be the primary beneficiary and required to consolidate the VIE. This assessment must be done on an ongoing basis. The Company has included the required disclosures for VIEs in its consolidated financial statements. See note 18 for further details.

#### *K. Collateralized Securities Transactions*

The Company may enter into transactions involving purchases of securities under agreements to resell ("reverse repurchase agreements" or "receivables under resale agreements") or sales of securities under agreements to repurchase ("repurchase agreements"). The resulting interest income and expense are included in net trading in the consolidated statements of operations.

In the case of reverse repurchase agreements, the Company generally takes possession of securities as collateral. Likewise, in the case of repurchase agreements, the Company is required to provide the counterparty with securities as collateral.

In certain cases, a repurchase agreement and a reverse repurchase agreement may be entered into with the same counterparty. If certain requirements are met, the offsetting provisions included in ASC 210 allow (but do not require) the reporting entity to net the asset and liability on the consolidated balance sheets.

ASC 210 provides the option to present reverse repo and repo on a net basis if certain netting conditions are met. The Company's accounting policy is to present repo transactions on a gross basis even if netting thresholds are met.

The Company classifies reverse repurchase agreements as a separate line item within the assets section of the Company's consolidated balance sheets. The Company classifies repurchase agreements as a separate line item within the liabilities section of the Company's consolidated balance sheets.

In the case of reverse repurchase agreements, if the counterparty is unable or unwilling to fulfill its obligation to repurchase the collateral securities at maturity, the Company can sell the collateral securities to repay the obligation. However, the Company is at risk that it may sell at unfavorable market prices and may sustain significant losses. The Company's policy to control this risk is monitoring the market value of securities pledged or used as collateral on a daily basis and requiring additional collateral in the event the market value of the existing collateral declines.

In the case of repurchase agreements, if the counterparty makes a margin call and the Company is unable or unwilling to meet the margin call, the counterparty can sell the securities to repay the obligation. The Company is at risk that the counterparty may sell the securities at unfavorable market prices and the Company may sustain significant losses. The Company controls this risk by monitoring its liquidity position to ensure it has sufficient cash or liquid securities to meet margin calls.

In general, reverse repurchase agreements and repurchase agreements allow each counterparty to re-pledge or resell the collateral securities to other counterparties. See note 11.

#### *L. Debt*

Debt is recorded at its face amount, less any discount or plus any premium. Debt issuance costs are included as a component of discount on debt. Any discount on debt is amortized as a component of interest expense using the effective interest method. The Company has not elected to account for any of its debt at fair value under ASC 825. See note 20.

#### *M. Redeemable Financial Instruments*

Redeemable financial instruments are investments made in the Operating LLC or other operating subsidiaries. These investments entitle the holder to an investment return that is variable and is based on the operating results of certain business units of the Company. These investments can be redeemed by the Company under certain circumstances or the holder may require redemption under certain circumstances. However, there are no fixed maturity dates. The Company treats these investments as liabilities and carries these investments at the redemption value plus any accrued and unpaid investment return on its consolidated balance sheets. The redemption value is included in redeemable financial instruments and the accrued and unpaid investment return is included in accounts payable and other liabilities in the consolidated balance sheets. Investment return is recorded on an accrual basis and is included as a component of interest expense in the consolidated statements of operations. See note 19 and 31.

#### *N. Revenue Recognition*

##### Net trading

Net trading includes: (i) all gains, losses, interest income, dividend income, and interest expense from securities classified as investments-trading and trading securities sold, not yet purchased; (ii) interest income and expense from collateralized securities transactions; and (iii) commissions and riskless trading profits. Net trading is reduced by margin interest, which is recorded on an accrual basis. Riskless trades are transacted through the Company's proprietary account with a customer order in hand, resulting in little or no market risk to the Company. Transactions that settle in the regular way are recognized on a trade date basis. Extended settlement transactions are recognized on a settlement date basis (although in cases of extended settlement trades, the unsettled trade is accounted for as a derivative between trade and settlement date). See note 10. The investments classified as trading (both investments-trading and trading securities sold, not yet purchased) are carried at fair value. The determination of fair value is based on quoted market prices of an active exchange, independent broker market quotations, market price quotations from third-party pricing services or, when independent broker quotations or market price quotations from third-party pricing services are unavailable, valuation models prepared by the Company's management. The models include estimates, and the valuations derived from them could differ materially from amounts realizable in an open market exchange.

##### Asset management

Asset management revenue consists of management fees earned from Investment Vehicles. In the case of CDOs, the fees earned by the Company generally consist of senior, subordinated, and incentive fees. The senior asset management fee is generally senior to all the securities in the CDO capital structure and is recognized on a monthly basis as services are performed. The senior asset management fee is generally paid on a quarterly basis. The subordinated asset management fee is an additional payment for the same services but has a lower priority in the CDO cash flows. If the CDO experiences a certain level of asset defaults and deferrals, these fees may not be paid. There is no recovery by the CDO of previously paid subordinated asset management fees. It is the Company's policy to recognize these fees on a monthly basis as services are performed. The subordinated asset management fee is generally paid on a quarterly basis. However, if the Company determines that the subordinated asset management fee will not be paid (which generally occurs on the quarterly payment date), the Company will stop recognizing additional subordinated asset management fees on that particular CDO and will reverse any subordinated asset management fees that are accrued and unpaid. The Company will begin accruing the subordinated asset management fee again if payment resumes and, in management's estimate, continued payment is reasonably assured. If payment were to resume but the Company was unsure of continued payment, it would recognize the subordinated asset management fee as payments were received and would not accrue such fees on a monthly basis. The incentive management fee is an additional payment, made typically after five to seven years of the life of a CDO, which is based on the clearance of an accumulated cash return on investment ("Hurdle Return") received by the most junior CDO securities holders. It is an incentive for the Company to perform in its role as asset manager by minimizing defaults and maximizing recoveries. The incentive management fee is not ultimately determined or payable until the achievement of the Hurdle Return by the most junior CDO securities holders. The Company recognizes incentive fee revenue when it is probable and there is not a significant chance of reversal in the future. In the case of Investment Vehicles other than CDOs, generally the Company earns a base fee and, in some cases, also earns an incentive fee. Base fees will generally be recognized on a monthly basis as services are performed and will be paid monthly or quarterly. The contractual terms of each arrangement will determine the Company's revenue recognition policy for incentive fees in each case. However, in all cases the Company recognizes the incentive fees when they are probable and there is not a significant chance of reversal in the future.

##### New issue and advisory

New issue and advisory revenue include: (i) new issue revenue associated with originating, arranging, or placing newly created financial instruments, (ii) revenue from advisory services, and (iii) new issue revenue associated with arranging the issuance of and placing newly created financial instruments. New issue and advisory revenue is recognized when the Company's performance obligations have been satisfied and payment is earned and collectability is reasonably assured.



## Principal transactions and other income

Principal transactions include all gains, losses, and income from financial instruments classified as other investments, at fair value and other investments sold, not yet purchased in the consolidated balance sheets.

Investments classified as other investments, at fair value and other investments sold, not yet purchased are carried at fair value. The determination of fair value is based on quoted market prices of an active exchange, independent broker market quotations, market price quotations or models from third-party pricing services, or, when independent broker quotations or market price quotations or models from third-party pricing services are unavailable, valuation models prepared by the Company's management. These models include estimates, and the valuations derived from them could differ materially from amounts realizable in an open market exchange. Dividend income is recognized on the ex-dividend date.

Other income /(loss) includes foreign currency gains and losses, interest earned on cash and cash equivalents, interest earned and losses incurred on notes receivable, and other miscellaneous income including revenue from revenue sharing arrangements.

### *O. Interest Expense, net*

Interest expense incurred, other than interest income and expense included as a component of net trading is recorded on an accrual basis and presented in the consolidated statements of operations as a separate non-operating expense. See notes 19 and 20.

### *P. Leases*

The Company leases office space, certain computer and related equipment and a vehicle under a non-cancelable operating lease. From time to time, the Company sub-leases office space to other tenants. Under the requirements of ASC 842, the Company determines if an arrangement is a lease at the inception date of the contract. The Company measures operating lease liabilities using an estimated incremental borrowing rate as there is no rate implicit in the Company's operating lease arrangements. An incremental borrowing rate was calculated for each operating lease based on the term of the lease, the U.S. Treasury term interest rate, and an estimated spread to borrow on a secured basis. During the periods presented, all leases to which the Company was a party are classified as operating leases and rent expense was recognized on a straight-line basis and included as a component of business development, occupancy, and equipment in the consolidated statements of operations.

### *Q. Non-Controlling Interest*

The equity interests of any consolidated subsidiary that are not owned by the Company are treated as non-controlling interests. See note 21.

### *R. Equity-Based Compensation*

The Company accounts for equity-based compensation issued to its employees using the fair value-based methodology prescribed by the provisions related to share-based payments included in FASB ASC 718, *Compensation-Stock Compensation* ("ASC 718"). In the periods presented herein, the Company had three different types of grants that fall under ASC 718.

First, the Company may grant to employees and directors restricted common stock in Cohen & Company Inc. These grants vest over a period of time and only have service based vesting criteria. In these cases, the Company determines the fair value of the grants by taking the closing stock price of Cohen & Company Inc. on the grant date and multiplying it by the number of restricted shares granted. The recipient is entitled to dividends during the vesting period but they are paid only if (and to the extent) the restricted share grant ultimately vests. Any dividends paid for periods prior to vesting are treated as compensation expense. The Company recognizes the expense over the service period on a straight line basis. The Company assumes no forfeitures up front and records forfeitures as they occur by reducing expense.

Second, the Company may grant to employees operating units of the Operating LLC. These grants also vest over a period of time and only have service based vesting criteria. Because there is a fixed exchange ratio between units of the Operating LLC and shares of Cohen & Company Inc., the fair value of the grant is calculated by taking the closing stock price of Cohen & Company Inc. on the grant date, adjusting for the exchange ratio, and then multiplying by the number of units of the Operating LLC granted. The recipient is entitled to distributions during the vesting period but they are paid only if (and to the extent) the unit grant ultimately vests. Any distributions paid for periods prior to vesting are treated as compensation expense. The Company recognizes the expense over the service period on a straight line basis. The Company assumes no forfeitures up front and record forfeitures as they occur by reducing expense.

Third, employees may invest in the membership interests of consolidated SPAC sponsor entities. Because these entities are consolidated and the employees are investing in the consolidated company's non-controlling interest, these equity interests fall under ASC 718. Generally, the employee invests a de-minimus amount and receives an allocation of the founder shares held by the sponsor entity. The investment generally does not have any explicit vesting criteria associated with it. Generally, the employee's investment will be worthless if the SPAC in which the sponsor entity has invested is liquidated and it will become worth something if the SPAC completes its business combination. Therefore, the Company treats these grants as having a performance condition (i.e. the completion of the SPAC business combination). Further, at the time of the investments, the Company treats this performance condition as being non-probable. The effect of this is that the Company records no expense related to these investments until (and only if) the business combination is completed. Upon completion of the business combination, the Company records compensation expense in an amount equal to the fair value of the grant. The fair value of the grant is equal to the public trading price of the SPAC on the date the business combination is completed adjusted for certain sale restrictions imposed on the shares the employee receives (generally, the shares are restricted for sale for some time period and subject to certain hurdle prices before they become freely tradeable). The Company uses a Monte Carlo simulation model to determine the appropriate discount to place on shares that are subject to hurdle prices. The compensation amount is recorded with an offsetting credit to non-controlling interest. From that point forward, the shares received by the employee are treated as part of the non-controlling interest and allocated income, expense, gains, and losses accordingly until the applicable sponsor entity is liquidated or otherwise de-consolidated.

#### *S. Accounting for Income Taxes*

Cohen & Company Inc. is treated as a C corporation for United States federal and state income tax purposes. The Company's voting-controlled subsidiary, the Operating LLC, is treated as a pass-through entity for U.S. federal income tax purposes and in most of the states in which it does business. However, in the periods presented, the Operating LLC or its subsidiaries have been subject to entity level income taxes in certain foreign jurisdictions as well as New York City and Philadelphia.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the U.S. GAAP and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. In making such a determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial operations. As shown in note 23 to the consolidated financial statements contained herein, the Company currently has significant recognized as well as unrecognized deferred tax assets. Deferred tax assets should only be recognized to the extent that we determine we can benefit in the future from the asset. Generally, this determination is based on the Company's estimates of our ability to generate future taxable income. This determination is complex and subject to judgment. The determination is ongoing and subject to change. If the Company were to change this determination in the future, a significant deferred tax benefit or deferred tax expense would be recognized as a component of earnings.

The Company's policy is to record penalties and interest as a component of income tax expense (benefit) in the consolidated statements of operations.

#### *T. Other Comprehensive Income / (Loss)*

The Company reports the components of comprehensive income / (loss) within the consolidated statements of operations and comprehensive income / (loss). Comprehensive income / (loss) includes net income / (loss) from foreign translation adjustment.

#### *U. Earnings / (Loss) Per Common Share*

In accordance with FASB ASC 260, *Earnings Per Share* ("ASC 260"), the Company presents both basic and diluted earnings / (loss) per common share in its consolidated financial statements and footnotes. Basic earnings / (loss) per common share ("Basic EPS") excludes dilution and is computed by dividing net income or loss allocable to common stockholders or members by the weighted average number of common shares and restricted stock entitled to non-forfeitable dividends outstanding for the period. Diluted earnings per common share ("Diluted EPS") reflects the potential dilution of common stock equivalents (such as restricted stock and restricted units entitled to forfeitable dividends, in-the-money stock options, and convertible debt, if they are not anti-dilutive). See note 26 for the computation of earnings/(loss) per common share.

#### *V. Business Concentration*

A significant portion of the Company's asset management revenues in a year may be derived from a small number of transactions. For the year ended December 31, 2022, the Company earned asset management revenue of \$3,454 from CDOs and \$5,550 from other investment funds.

Other than revenue earned in its matched book repo operations, the Company's trading revenue is generated from transactions with a diverse set of institutional customers. The Company does not consider its trading revenue, other than revenue earned in its matched book repo operations, to be concentrated from a customer or counterparty perspective. See note 11 for discussion of concentrations within its matched book repo operations.



## *W. Fair Value of Financial Instruments*

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments. These determinations were based on available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop the estimates and, therefore, these estimates may not necessarily be indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Refer to note 9 for a discussion of the valuation hierarchy with respect to investments-trading; other investments, at fair value; and the derivatives held by the Company.

Cash equivalents: Cash equivalents are carried at historical cost, which is assumed to approximate fair value. The estimated fair value measurement of cash and cash equivalents is classified within level 1 of the valuation hierarchy.

Investments-trading: These amounts are carried at fair value. The fair value is based on either quoted market prices of an active exchange, independent broker market quotations, market price quotations from third-party pricing services, or valuation models when quotations are not available.

Other investments, at fair value: These amounts are carried at fair value. The fair value is based on quoted market prices of an active exchange, independent broker market quotations, or valuation models when quotations are not available. In the case of investments in alternative investment funds, fair value is generally based on the reported net asset value of the underlying fund.

Receivables under resale agreements: Receivables under resale agreements are carried at their contracted resale price, have short-term maturities, and are repriced frequently or bear market interest rates and, accordingly, these contracts are at amounts that approximate fair value. The estimated fair value measurements of receivables under resale agreements are based on observations of actual market activity and are generally classified within level 2 of the valuation hierarchy.

Trading securities sold, not yet purchased: These amounts are carried at fair value. The fair value is based on quoted market prices of an active exchange, independent market quotations, market price quotations from third-party pricing services, or valuation models when quotations are not available.

Other investments, sold not purchased: These amounts are carried at fair value. The fair value is based on quoted market prices of an active exchange, independent broker market quotations, or valuation models when quotations are not available.

Securities sold under agreement to repurchase: The liabilities for securities sold under agreement to repurchase are carried at their contracted repurchase price, have short-term maturities, and are repriced frequently with amounts normally due in one month or less and, accordingly, these contracts are at amounts that approximate fair value. The estimated fair value measurements of securities sold under agreement to repurchase are based on observations of actual market activity and are generally classified within level 2 of the valuation hierarchy.

Redeemable financial instruments: The liabilities for redeemable financial instruments are carried at their redemption value, which approximates fair value. The estimated fair value measurement of the redeemable financial instruments is classified within level 3 of the valuation hierarchy.

Debt: These amounts are carried at outstanding principal less unamortized discount. However, a substantial portion of the Company's debt was assumed in the AFN Merger and recorded at fair value as of that date. As of December 31, 2022 and 2021, the fair value of the Company's debt was estimated to be \$34,679 and \$54,284, respectively. The estimated fair value measurements of the debt are generally based on discounted cash flow models prepared by the Company's management primarily using discount rates for similar instruments issued to companies with similar credit risks to the Company and are generally classified within level 3 of the valuation hierarchy.

Derivatives: These amounts are carried at fair value. Derivatives may be included as a component of investments-trading; trading securities sold, not yet purchased; and other investments, at fair value. See notes 10 and 11. The fair value is generally based on quoted market prices on an exchange that is deemed to be active for derivative instruments such as foreign currency forward contracts and Eurodollar futures. For derivative instruments, such as TBAs and other extended settlement trades, the fair value is generally based on market price quotations from third-party pricing services.

#### *X. Investments in Special Purpose Acquisition Companies ("SPACs") Sponsor Entities*

The Company invested in the sponsor entities of SPACs. Sponsor entities are limited liability companies (each an "LLC") that pool their members' interests and invest in the private placement of a SPAC. The SPAC will also raise funds in a public offering and seek to complete a business combination within an agreed upon time frame. The SPAC will use the proceeds raised from the private placement to pay transaction and operating expenses during the period it is seeking a business combination. The proceeds of the public offering are placed in an interest bearing trust and can only be used to complete the business combination. Generally, the public investors must approve any business combination prior to its effectiveness. If a business combination is not completed within the agreed upon time frame, the SPAC will liquidate and return the public investors' investment to them. If there are funds remaining after liquidation, the sponsor entities may receive some portion of their investment back, but likely they will suffer a total loss of their investment. If the business combination is completed, the sponsor entities private placement in the SPAC entitles them to a combination of unrestricted common stock, restricted common stock, and (in some cases) warrants of the post-business combination SPAC (which is a publicly traded company). The following summarizes the Company's accounting policies related to its investments in these entities:

- The sponsor entities are LLCs that give all important decision making rights to their respective managing member. Furthermore, the other members of the LLC cannot replace the managing member. Accordingly, the Company has concluded that the sponsor entities are VIEs and the managing member has the power to direct its most important economic activities. In all cases where the Company was a the managing member of a sponsor entity, it has also had a significant economic interest in such sponsor entity and therefore consolidates such sponsor entity.
- In all cases where the Company had consolidated a sponsor entity, it has determined that the sponsor entity's private placement investment in the SPAC that it sponsors should be treated as an equity method investment during the SPAC's pre-business combination period. Furthermore, because of the difficulty of determining the fair value of such an investment in the SPAC's pre-business combination period, the Company has chosen to not elect the fair value option.
- If a SPAC completed its business combination, the sponsor entity's investment in the SPAC was converted to a combination of unrestricted and restricted shares in the post-business combination SPAC. At this point (assuming the Company consolidated the sponsor entity), the Company accounted for the shares received at fair value. It reclassified any remaining equity method investment to other investments, at fair value and recorded principal transactions income for the difference. The Company recorded non-controlling interest expense for the SPAC shares that were distributable to the non-controlling interest holders of the sponsor entity. The fair value of the unrestricted shares received is equal to the public trading price of the SPAC on the date of the business combination. The fair value of the restricted shares received was adjusted downwards from the public trading price for certain sale restrictions imposed (generally, they are restricted for sale for some time period and subject to certain hurdle prices before they became freely tradeable). The Company uses a Monte Carlo simulation model to determine the appropriate discount to place on shares that are subject to hurdle prices. In the case of a SPAC business combination where the Company consolidated the sponsor entity, generally there is also an equity-based compensation entry to be recorded at the date of the business combination. See equity-based compensation section above. The Company will continue to mark the sponsor entity's investment in the SPAC to market and record principal transactions income or loss and offsetting non-controlling interest income or expense until the sponsor entity itself distributes all of the SPAC shares it owns to its members and liquidates. At that point, the Company held the SPAC shares directly (rather than through a consolidated subsidiary) and recorded principal transaction income and loss until the SPAC shares were liquidated.
- The Company also invested in sponsor entities that it does not consolidate because it was not the managing member of such sponsor entity or otherwise did not have the power to direct the sponsor entity's most important activities. In these cases, the Company treated its investment in the sponsor entity as an equity method investment. Furthermore, because of the difficulty of determining the fair value of such an investment in the applicable SPAC's pre-business combination period, the Company has chosen to not elect the fair value option.
- If a SPAC completed a business combination and the Company had an equity method investment in the associated sponsor entity, upon completing a business combination, the sponsor entity recorded income equal to the difference between the fair value of the restricted and unrestricted shares it received and the carrying value of its equity method investment in the SPAC. The Company recognized its share of this gain as income from equity method affiliates. The sponsor entity continued to mark its investment in the SPAC to market after the business combination and the Company recognized its share of the change in fair value as income or loss from equity method affiliates. Once the sponsor entity distributed the Company's share of the SPAC shares it owned, the Company reclassified its investment from investment in equity method affiliate to other investments, at fair value as the Company held the SPAC shares directly (rather than through an equity method investee). The Company then recorded principal transactions income and loss until the SPAC shares are liquidated.
- If a SPAC liquidated and the Company had an investment in it (either directly in the case of consolidated sponsor entities or indirectly in the case of equity method sponsor entities), the Company wrote off its remaining equity method balance and recorded a loss on its equity method investment. In the case of consolidated sponsor entities, the Company recorded an offsetting entry to non-controlling interest.

## Y. Recent Accounting Developments

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU simplifies accounting for convertible instruments by removing major separation models currently required. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas. This ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings ("TDRs") and Vintage Disclosures*. The amendments in this ASU eliminate TDR recognition and measurement guidance and instead, require that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company has concluded the implementation will not have a material impact on the Company's financial statements or disclosures.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This ASU is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements.

#### 4. INSURANCE SPAC INVESTMENTS AND OTHER RECENT EVENTS

##### *Conversion of the 2017 Convertible Note*

On March 10, 2017, the Operating LLC issued to DGC Family Fintech Trust (the “DGC Trust”), a trust established by Daniel G. Cohen, a convertible senior secured promissory note in the aggregate principal amount of \$15,000 (the “2017 Convertible Note”). On March 20, 2022, the DGC Trust elected to convert the 2017 Convertible Note into an aggregate of 10,344,827 units of membership interests in the Operating LLC at the conversion rate specified in the 2017 Convertible Note agreement of \$1.45 per unit. As a result of such conversion, the 2017 Convertible Note was cancelled in its entirety. These units of membership interests have the same conversion and redemption rights as the existing convertible non-controlling interest units of membership interest. See note 20.

Pursuant to the DGC Trust’s governing documents, Daniel G. Cohen has the ability to acquire at any time any of the DGC Trust’s assets, including the units of membership interests, by substituting other property of an equivalent value without the approval or consent of any person, including any trustee or beneficiary of the DGC Trust. See Notes 21 and 31.

##### *The 2020 Senior Notes*

On January 31, 2022, the Operating LLC and JKD Investor entered into a Note Purchase Agreement. On January 31, 2020, the Operating LLC entered into a Note Purchase Agreement (the “Original Purchase Agreement”) with JKD Capital Partners I LTD, a New York corporation (“JKD Investor”), and RN Capital Solutions LLC, a Delaware limited liability company (“RNCS”). The JKD Investor is owned by Jack DiMaio, Jr., the vice chairman of the Company’s board of directors and his spouse. The note purchased by the JKD Investor is herein referred to as the “JKD Note.”

Pursuant to the Original Purchase Agreement, JKD Investor and RNCS each purchased a senior promissory note in the principal amount of \$2,250 (for an aggregate investment of \$4,500). The senior promissory notes bore interest at a fixed rate of 12% per annum and matured on January 31, 2022, pursuant to which, among other things, on such date, (i) JKD Investor paid to the Operating LLC an additional \$2,250 and (ii) in consideration for such funds, the Operating LLC issued to JKD Investor an Amended and Restated Senior Promissory Note in the aggregate principal amount of \$4,500 (the “Amended and Restated Note”), which Amended and Restated Note amended and restated the JKD Note in its entirety. The 2022 Purchase Agreement contains customary representations and warranties on the part of each of JKD Investor and the Operating LLC. The Company used these proceeds to retire \$2,250 of existing 2020 Senior Notes held by RNCS. See note 20 and 31.

##### *Commercial Real Estate Opportunities ("CREO") JV*

On September 3, 2021, the Company committed to invest up to \$15,000 of equity in a newly formed joint venture (the “CREO JV”) with an outside investor that committed to invest approximately \$435,000 of equity in the CREO JV. The Company is required to invest 7.5% of the total equity of the CREO JV with an absolute limit of \$15,000. The CREO JV is managed by the Company.

The CREO JV was formed for the purposes of investing in primarily multi-family commercial real estate mortgage-backed loans and below-investment-grade rated tranches in CRE CLOs collateralized by mostly transitional commercial real estate mortgage-backed loans. “CRE CLO” means any pooling of commercial real estate mortgage-backed loans into a collateralized loan obligation.

The commercial real estate loans that will be funded by the CREO JV may be originated by the Company and the Company may earn origination fees in connection with such transactions. In addition, the Company may earn structuring fees in connection with structuring and consummating a CRE CLO consisting of a pooling of commercial real estate loans. The Company will also earn management fees as manager of any CRE CLOs based on the value of the assets consolidated into a CRE CLO (calculated in accordance with the terms of such CRE CLO), payable from the proceeds generated by and in accordance with the distribution waterfall of such CRE CLO.

The Company elected the fair value option in accordance with the provisions of ASC 820 to account for its equity method investment in the CREO JV. The investment is included in other investments, at fair value on the consolidated balance sheets and gains and losses (both realized and unrealized) are recognized in the consolidated statement of operations as a component of principal transactions and other income. Because the CREO JV has the attributes of investment companies as described in ASC 946-15-2, the Company estimates the fair value of its investment using the net asset value (“NAV”) per share (or its equivalent) as of the reporting date in accordance with the “practical expedient” provisions related to investments in certain entities that calculate NAV per share (or its equivalent) included in ASC 820 for all entities. As of December 31, 2022, the Company’s investment balance in the CREO JV was \$6,568.

##### *Wind Down of the Company's GCF Repo Business*

During the years 2017 through 2021, the Company carried out a matched book GCF repo business as a full-netting member of the FICC Government Services Division. In October 2021, primarily due to reduced spreads in the repo market for GCF collateral, the Company decided to wind down this business. As of December 31, 2021, the wind down was completed and the GCF reverse repurchase agreements and repurchase agreements balances were reduced to zero. See note 11.

The Operating LLC was the manager of Insurance Acquisition Sponsor III, LLC ("IAS III") and Dioptra Advisors III, LLC (together with IAS III, the "Insurance SPAC III Sponsor Entities"). The Insurance SPAC III Sponsor Entities were sponsors of INSU Acquisition Corp. III ("Insurance SPAC III"). On December 22, 2020, Insurance SPAC III completed the sale of 25,000,000 units (the Insurance SPAC III Units") in its initial public offering ("IPO"). Each Insurance SPAC III Unit consisted of one share of Insurance SPAC III's class A common stock, par value \$0.0001 per share ("Insurance SPAC III Common Stock"), and one-third of one Insurance SPAC III warrant (each, an "Insurance SPAC III Warrant"), where each whole Insurance SPAC III Warrant entitled the holder to purchase one share of Insurance SPAC III Common Stock for \$11.50 per share. The Insurance SPAC III Units were sold in the IPO at an offering price of \$10.00 per unit. If Insurance SPAC III failed to consummate a business combination within the first 24 months following the IPO, its corporate existence would cease except for the purpose of winding up its affairs and liquidating its assets.

The Operating LLC loaned to Insurance SPAC III approximately \$71 to cover IPO expenses, which was repaid in full at the closing of the IPO. IAS III and its affiliates, including the Operating LLC, committed to loan Insurance SPAC III up to an additional \$1,500 to cover operating and acquisition related expenses following the IPO, of which \$960 was borrowed by Insurance SPAC III. See notes 31 and 32. The loans bore no interest, and if the Insurance SPAC III consummated a business combination in the required time period, the loans were to be repaid from the funds held in Insurance SPAC III's trust account. If Insurance SPAC III did not consummate a business combination in the required time frame, no funds from Insurance SPAC III's trust account could be used to repay the loans.

On November 18, 2022, Insurance SPAC III announced it would not consummate an initial business combination within the time period required and that it intended to dissolve and liquidate, effective as of the close of business on December 22, 2022, and redeem all of the Insurance SPAC III Common Stock and each Insurance SPAC Warrant that were included in its IPO, at a per-share redemption price of approximately \$10.09. As of the close of business on December 22, 2022, the Insurance SPAC III Common Stock and each Insurance SPAC Warrant were deemed cancelled and represented only the right to receive the redemption amount.

In order to provide for the disbursement of funds from the trust account, Insurance SPAC III instructed the trustee of the trust account to take all necessary actions to liquidate the securities held in the trust account. The proceeds of the trust account were held in a non-interest bearing account while awaiting disbursement to the holders of the Public Shares. Record holders will receive their *pro rata* portion of the proceeds of the trust account, less \$100 of interest to pay dissolution expenses and net of taxes payable. Insurance SPAC III Sponsor Entities agreed to waive their redemption rights with respect to their outstanding shares of Class B common stock issued prior to the Insurance SPAC III IPO. There will be no redemption rights or liquidating distributions with respect to each Insurance SPAC III Warrant, which will expire worthless.

As a result of the liquidation of Insurance SPAC III, the Company recorded an equity method loss of \$5,896 for the year ended December 31, 2022, which included a write-off of the amounts advanced to Insurance SPAC III from the Operating LLC as well as amounts invested. Of this loss, \$4,808 was allocated to the non-convertible non-controlling interests. Therefore, the net impact to the Operating LLC was \$1,088.

## 5. NET TRADING

Net trading consisted of the following in the periods presented.

### NET TRADING (Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Net realized gains / (losses)- trading inventory	\$ 12,583	\$ 21,103	\$ 31,269
Net unrealized gains / (losses)-trading inventory	(2,463)	(3,069)	2,076
Gains and losses	10,120	18,034	33,345
Interest income-trading inventory	2,888	5,958	7,759
Interest income-reverse repos	47,023	78,064	92,389
Interest income	49,911	84,022	100,148
Interest expense-repos	(31,021)	(40,269)	(65,030)
Interest expense-LegacyTexas Credit Facility	-	-	(39)
Interest expense-margin payable	(2,680)	(706)	(1,134)
Interest expense	(33,701)	(40,975)	(66,203)
Other trading revenue	13,679	8,304	6,321
Net trading	<u>\$ 40,009</u>	<u>\$ 69,385</u>	<u>\$ 73,611</u>

Trading inventory includes investments classified as investments-trading as well as trading securities sold, not yet purchased. For discussion of margin payable, see note 6. Other trading revenue includes revenue earned on our agency repo business. See note 11.

## 6. RECEIVABLES FROM AND PAYABLES TO BROKERS, DEALERS, AND CLEARING AGENCIES

Amounts receivable from brokers, dealers, and clearing agencies consisted of the following.

### RECEIVABLES FROM BROKERS, DEALERS, AND CLEARING AGENCIES (Dollars in Thousands)

	As of December 31,	
	2022	2021
Deposits with clearing organizations	\$ 250	\$ 250
Unsettled regular way trades, net	-	2,827
Receivable from clearing organizations	140,683	65,315
Receivables from brokers, dealers, and clearing agencies	<u>\$ 140,933</u>	<u>\$ 68,392</u>

Amounts payable to brokers, dealers, and clearing agencies consisted of the following.

### PAYABLES TO BROKERS, DEALERS, AND CLEARING AGENCIES (Dollars in Thousands)

	As of December 31,	
	2022	2021
Unsettled regular way trades, net	\$ 3,238	\$ -
Margin payable	131,747	160,896
Payables to brokers, dealers, and clearing agencies	<u>\$ 134,985</u>	<u>\$ 160,896</u>

Deposits with clearing organizations represent contractual amounts the Company is required to deposit with its clearing agents.

Securities transactions that settle in the regular way are recorded on the trade date, as if they had settled. The related amounts receivable and payable for unsettled securities transactions are recorded net in receivables from or payables to brokers, dealers, and clearing agencies on the Company's consolidated balance sheets. The related amounts receivable and payable for unsettled securities transactions are recorded net in receivables from or payables to brokers, dealers, and clearing agencies on the Company's consolidated balance sheets.

Receivables from clearing organizations are primarily comprised of cash received by the Company upon execution of short trades that is restricted from withdrawal by the clearing agent.

Margin payable represents amounts borrowed from Pershing, LLC and Cantor Fitzgerald to finance the Company's trading portfolio. See note 5 for interest expense incurred on margin payable. All of the Company's securities included in investments-trading and a portion of the Company's securities included in other investments, at fair value serve as collateral for this margin loan. See note 8.



## 7. OTHER RECEIVABLES

Other receivables consisted of the following.

### OTHER RECEIVABLES (Dollars in Thousands)

	As of December 31,	
	2022	2021
Asset management fees receivable	\$ 936	\$ 962
New issue fees receivable	167	-
Cash collateral due from repo and/or reverse repo counterparties	4,301	-
Accrued interest receivable	2,561	1,394
Revenue share receivable	138	108
Agency repo income receivable	806	419
Miscellaneous other receivables	618	320
Other receivables	<u>\$ 9,527</u>	<u>\$ 3,203</u>

Asset management fees receivable are of a routine and short-term nature. These amounts are generally accrued monthly and paid on a monthly or quarterly basis.

New issue fees receivable represents fees due for new issue and advisory services.

When the Company enters into a reverse repo, the Company obtains collateral in excess of the principal of the reverse repo. The Company accepts collateral in the form of liquid securities or cash. If the value of the securities the Company receives as collateral increases, the Company's reverse repo counterparties may request a return of a portion of their collateral with a value of such increases. In some cases, the Company will return to such reverse repo counterparties cash instead of securities. In that case, the Company includes the cash returned as a component of other receivables (cash due from counterparties).

When the Company enters into repo transactions, the Company provides collateral to the Company's repo counterparties in excess of the principal balance of the repo. The Company's counterparties accept collateral in the form of liquid securities or cash. To the extent the Company provides the collateral in cash, the Company includes it as a component of other receivables (cash due from counterparties).

Accrued interest receivable represents interest and dividends accrued on the Company's investment securities included as a component of investments-trading or other investments, at fair value. Interest payable on securities sold, not yet purchased is included as a component of accounts payable and other liabilities in the table entitled Accounts Payable and Other Liabilities below.

Revenue share receivable represents the amount due to the Company for the Company's share of a revenue arrangement generated from an entity in which the Company receives a share of the entity's revenue.

Agency repo income receivable represents income receivable on gestation repo trades. See note 11.

Miscellaneous other receivables are receivables that are of a short-term nature.

## 8. FINANCIAL INSTRUMENTS

### *Investments—Trading*

Investments-trading consisted of the following.

#### INVESTMENTS - TRADING (Dollars in Thousands)

	As of December 31,	
	2022	2021
U.S. Treasury securities	\$ 12,392	\$ -
U.S. government agency MBS and CMOs	97,276	134,093
U.S. government agency debt securities	19,683	22,373
RMBS	7	9
Residential mortgage loans	13,506	-
ABS	1	1
Corporate bonds and redeemable preferred stock	44,572	45,519
Foreign government bonds	-	467
Municipal bonds	19,502	18,841
Certificates of deposit	-	169
Derivatives	4,669	1,275
Equity securities	220	1,118
Investments-trading	<u>\$ 211,828</u>	<u>\$ 223,865</u>

Substantially all of the Company's investments-trading serve as collateral for the Company's margin loan payable. See note 6.

### *Trading Securities Sold, Not Yet Purchased*

Trading securities sold, not yet purchased consisted of the following.

#### TRADING SECURITIES SOLD, NOT YET PURCHASED (Dollars in Thousands)

	As of December 31,	
	2022	2021
U.S. Treasury securities	\$ 71,386	\$ 29,513
U.S. government agency MBS and CMOs	1	1
U.S. government agency debt securities	32	-
Corporate bonds and redeemable preferred stock	61,310	32,574
Derivatives	1,177	424
Equity securities	51	-
Trading securities sold, not yet purchased	<u>\$ 133,957</u>	<u>\$ 62,512</u>

The Company manages its exposure to changes in interest rates for the interest rate sensitive securities it holds by entering into offsetting short positions for similar fixed rate securities. See note 5 for realized and unrealized gains recognized on investments-trading and trading securities sold, not yet purchased.

*Other Investments, at Fair Value*

Other investments, at fair value consisted of the following.

OTHER INVESTMENTS, AT FAIR VALUE  
(Dollars in Thousands)

	As of December 31, 2022	
	2022	2021
Equity securities	\$ 13,725	\$ 27,104
Restricted equity securities	3,135	17,078
Corporate bonds and redeemable preferred stock	476	476
CREO JV	6,568	5,830
U.S. Insurance JV	3,459	3,450
SPAC Fund	527	1,980
Residential loans	132	115
Other investments, at fair value	<u>\$ 28,022</u>	<u>\$ 56,033</u>

A total of \$1,673 and \$15,563 of the amounts shown in other investments, at fair value above serve as collateral for the Company's margin loan payable for the years ended December 31, 2022 and 2021, respectively. See note 6.

OTHER INVESTMENTS SOLD, NOT YET PURCHASED  
(Dollars in Thousands)

	As of December 31, 2022	
	2022	2021
Equity securities	\$ 78	\$ 2,488
Other investments sold, not yet purchased	<u>\$ 78</u>	<u>\$ 2,488</u>

## 9. FAIR VALUE DISCLOSURES

### *Fair Value Option*

The Company has elected to account for certain of its other financial assets at fair value under the fair value option provisions of ASC 825. The primary reason for electing the fair value option was to reduce the burden of monitoring the differences between the cost and the fair value of the Company's investments, previously classified as available for sale securities, including the assessment as to whether the declines are temporary in nature and to further remove an element of management judgment.

Such financial assets accounted for at fair value include:

- securities that would otherwise qualify for available for sale treatment;
- investments in equity method affiliates that have the attributes in ASC 946-10-15-2 (commonly referred to as investment companies); and
- investments in residential loans.

The changes in fair value (realized and unrealized gains and losses) of these instruments for which the Company has elected the fair value option are recorded in principal transactions and other income in the consolidated statements of operations. All of the investments for which the Company has elected the fair value option are included as a component of other investments, at fair value in the consolidated balance sheets. The Company recognized net gains (losses) of (\$30,914), \$35,421, and \$43,413, related to changes in fair value of investments that are included as a component of other investments, at fair value during the years ended December 31, 2022, 2021, and 2020, respectively. The Company recognized net gains (losses) of \$307, \$830, and \$1,063 related to changes in fair value of investments that are included as a component of other investments, sold not yet purchased during the years ended December 31, 2022, 2021, and 2020, respectively.

### *Fair Value Measurements*

In accordance with ASC 820, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level valuation hierarchy. The valuation hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the valuation hierarchy under ASC 820 are described below.

Level 1	Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Financial assets and liabilities whose values are based on one or more of the following: <ol style="list-style-type: none"><li>1. Quoted prices for similar assets or liabilities in active markets;</li><li>2. Quoted prices for identical or similar assets or liabilities in non-active markets;</li><li>3. Pricing models whose inputs are derived, other than quoted prices, and are observable for substantially the full term of the asset or liability; or</li><li>4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.</li></ol>
Level 3	Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the valuation hierarchy. In such cases, the level in the valuation hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

The following tables present information about the Company's assets and liabilities measured at fair value as of December 31, 2022 and 2021 and indicates the valuation hierarchy of the valuation techniques utilized by the Company to determine such fair value.

# FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

As of December 31, 2022

(Dollars in Thousands)

Assets	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments-trading:</b>				
U.S. Treasury securities	\$ 12,392	\$ 12,392	\$ -	\$ -
U.S. government agency MBS and CMOs	97,276	-	97,276	-
U.S. government agency debt securities	19,683	-	19,683	-
RMBS	7	-	7	-
Residential mortgage loans	13,506	-	13,506	-
ABS	1	-	1	-
Corporate bonds and redeemable preferred stock	44,572	-	44,572	-
Municipal bonds	19,502	-	19,502	-
Derivatives	4,669	-	4,669	-
Equity securities	220	220	-	-
<b>Total investments - trading</b>	<b>\$ 211,828</b>	<b>\$ 12,612</b>	<b>\$ 199,216</b>	<b>\$ -</b>
<b>Other investments, at fair value:</b>				
Equity securities	\$ 13,725	13,725	\$ -	\$ -
Restricted equity securities	3,135	-	3,135	-
Corporate bonds and redeemable preferred stock	476	-	476	-
Residential loans	132	-	132	-
	17,468	\$ 13,725	\$ 3,743	\$ -
Investments measured at NAV (1)	10,554			
<b>Total other investments, at fair value</b>	<b>\$ 28,022</b>			
<b>Liabilities</b>				
<b>Trading securities sold, not yet purchased:</b>				
U.S. government agency MBS and CMOs	\$ 1	\$ -	\$ 1	\$ -
U.S. government agency debt securities	32	-	32	-
U.S. Treasury securities	71,386	71,386	-	-
Corporate bonds and redeemable preferred stock	61,310	-	61,310	-
Derivatives	1,177	-	1,177	-
Equity securities	51	51	-	-
<b>Total trading securities sold, not yet purchased</b>	<b>\$ 133,957</b>	<b>\$ 71,437</b>	<b>\$ 62,520</b>	<b>\$ -</b>
<b>Other investments, sold not yet purchased:</b>				
Equity securities	\$ 78	\$ 78	\$ -	\$ -
<b>Total other investments, sold not yet purchased</b>	<b>\$ 78</b>	<b>\$ 78</b>	<b>\$ -</b>	<b>\$ -</b>

- (1) As a practical expedient, the Company uses NAV (or its equivalent) to measure the fair value of its investments in the U.S. Insurance JV, the SPAC Fund, and the CREO JV. The U.S. Insurance JV invests in USD denominated debt issued by small insurance and reinsurance companies. The SPAC Fund invests in equity securities of SPACs. The CREO JV invests in primarily multi-family commercial real estate mortgage-backed loans and below-investment grade rated tranches in CRE CLOs collateralized by mostly transitional commercial real estate mortgage-backed loans. See note 4. According to ASC 820, these investments are not categorized within the valuation hierarchy.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS  
As of December 31, 2021  
(Dollars in Thousands)

Assets	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments-trading:</b>				
U.S. government agency MBS and CMOs	\$ 134,093	\$ -	\$ 134,093	\$ -
U.S. government agency debt securities	22,373	-	22,373	-
RMBS	9	-	9	-
ABS	1	-	1	-
Corporate bonds and redeemable preferred stock	45,519	-	45,519	-
Foreign government bonds	467	-	467	-
Municipal bonds	18,841	-	18,841	-
Certificates of deposit	169	-	169	-
Derivatives	1,275	-	1,275	-
Equity securities	1,118	-	1,118	-
Total investments - trading	<u>\$ 223,865</u>	<u>\$ -</u>	<u>\$ 223,865</u>	<u>\$ -</u>
<b>Other investments, at fair value:</b>				
Equity securities	\$ 27,104	\$ 27,104	\$ -	\$ -
Restricted equity securities	17,078	-	17,078	-
Corporate bonds and redeemable preferred stock	476	-	476	-
Residential loans	115	-	115	-
	<u>44,773</u>	<u>\$ 27,104</u>	<u>\$ 17,669</u>	<u>\$ -</u>
Investments measured at NAV (1)	11,260			
Total other investments, at fair value	<u>\$ 56,033</u>			
<b>Liabilities</b>				
<b>Trading securities sold, not yet purchased:</b>				
U.S. Treasury securities	\$ 29,513	\$ 29,513	\$ -	\$ -
U.S. government agency MBS and CMOs	1	1	-	-
Corporate bonds and redeemable preferred stock	32,574	-	32,574	-
Derivatives	424	-	424	-
Total trading securities sold, not yet purchased	<u>\$ 62,512</u>	<u>\$ 29,514</u>	<u>\$ 32,998</u>	<u>\$ -</u>
<b>Other investments, sold not yet purchased:</b>				
Derivatives	\$ 2,488	\$ 2,488	\$ -	\$ -
Total other investments, sold not yet purchased	<u>\$ 2,488</u>	<u>\$ 2,488</u>	<u>\$ -</u>	<u>\$ -</u>

(1) As a practical expedient, the Company uses NAV per share (or its equivalent) to measure the fair value of its investments in the U.S. Insurance JV and the SPAC Fund. The U.S. Insurance JV invests in USD denominated debt issued by small insurance and reinsurance companies. The SPAC Fund invests in equity securities of SPACs. According to ASC 820, these investments are not categorized within the valuation hierarchy.

The following provides a brief description of the types of financial instruments the Company holds, the methodology for estimating fair value, and the level within the valuation hierarchy of the estimate. The discussion that follows applies regardless of whether the instrument is included in investments-trading; other investments, at fair value; or trading securities sold, not yet purchased.

U.S. Treasury Securities: U.S. Treasury securities include U.S. Treasury bonds and notes and the fair values of the U.S. Treasury securities are based on quoted prices or market activity in active markets. Valuation adjustments are not applied. The Company classifies the fair value of these securities within level 1 of the valuation hierarchy.

U.S. Government Agency MBS and CMOs: These are securities that are generally traded over the counter. The Company generally values these securities using third-party quotations such as unadjusted broker-dealer quoted prices or market price quotations from third-party pricing services. These valuations are based on a market approach. The Company classifies the fair value of these securities within level 2 of the valuation hierarchy.

U.S. Government Agency Debt Securities: Callable and non-callable U.S. government agency debt securities are measured primarily based on quoted market prices obtained from third-party pricing services. Non-callable U.S. government agency debt securities are generally classified within level 1 and callable U.S. government agency debt securities are classified within level 2 of the valuation hierarchy.

RMBS: The Company generally values these securities using third-party quotations such as unadjusted broker-dealer quoted prices or market price quotations from third-party pricing services. These valuations are based on a market approach. The Company generally classifies the fair value of these securities based on third-party quotations within level 2 of the valuation hierarchy.

Residential Mortgage Loans: The Company generally values these loans using a model. The model's main inputs are current market quotations for pooled mortgage loan securities with similar characteristics. The Company considers the inputs to be observable and therefore classifies the fair value of these loans within level 2 of the valuation hierarchy.

CLOs, CDOs, and ABS: CLOs, CDOs, and ABS are interests in securitizations. ABS may include, but are not limited to, securities backed by auto loans, credit card receivables, or student loans. When the Company is able to obtain independent market quotations from at least two broker-dealers and where a price within the range of at least two broker-dealers is used or market price quotations from third-party pricing services is used, these interests in securitizations will generally be classified within level 2 of the valuation hierarchy. These valuations are based on a market approach. The independent market quotations from broker-dealers are generally nonbinding. The Company seeks quotations from broker-dealers that historically have actively traded, monitored, issued, and been knowledgeable about the interests in securitizations. The Company generally believes to the extent that it (i) receives two quotations in a similar range from broker-dealers knowledgeable about these interests in securitizations and (ii) considers the broker-dealers gather and utilize observable market information such as new issue activity in the primary market, trading activity in the secondary market, credit spreads versus historical levels, bid-ask spreads, and price consensus among market participants and sources, then classification within level 2 of the valuation hierarchy is appropriate. In the absence of two broker-dealer market quotations, a single broker-dealer market quotation may be used without corroboration of the quote in which case the Company generally classifies the fair value within level 3 of the valuation hierarchy.

If quotations are unavailable, prices observed by the Company for recently executed market transactions or valuation models prepared by the Company's management may be used, which are based on an income approach. These models prepared by the Company's management include estimates and the valuations derived from them could differ materially from amounts realizable in an open market exchange. Each CLO and CDO position is evaluated independently taking into consideration available comparable market levels, underlying collateral performance and pricing, deal structures, and liquidity. Fair values based on internal valuation models prepared by the Company's management are generally classified within level 3 of the valuation hierarchy.

Establishing fair value is inherently subjective (given the volatile and sometimes illiquid markets for certain interests in securitizations) and requires management to make a number of assumptions, including assumptions about the future of interest rates, discount rates, and the timing of cash flows. The assumptions the Company applies are specific to each security. Although the Company may rely on internal calculations to compute the fair value of certain interest in securitizations, the Company requests and considers indications of fair value from third-party pricing services to assist in the valuation process.

Corporate Bonds and Redeemable Preferred Stock: The Company uses recently executed transactions or third-party quotations from independent pricing services to arrive at the fair value of its investments in corporate bonds and redeemable preferred stock. These valuations are based on a market approach. The Company generally classifies the fair value of these bonds within level 2 of the valuation hierarchy. In instances where the fair values of securities are based on quoted prices in active markets (for example with redeemable preferred stock), the Company classifies the fair value of these securities within level 1 of the valuation hierarchy.

Foreign Government Bonds: The fair value of foreign government bonds is estimated using valuations provided by third-party pricing services and classifies the fair value within level 2 of the valuation hierarchy.

Municipal Bonds: Municipal bonds, which include obligations of U.S. states, municipalities, and political subdivisions, primarily include bonds or notes issued by U.S. municipalities. The Company generally values these securities using third-party quotations such as market price quotations from third-party pricing services. The Company generally classifies the fair value of these bonds within level 2 of the valuation hierarchy. The valuations are based on a market approach. In instances where the Company is unable to obtain reliable market price quotations from third-party pricing services, the Company will use its own internal valuation models. In these cases, the Company will classify such securities as level 3 within the valuation hierarchy until it is able to obtain third-party pricing.



**Certificates of Deposit:** The fair value of certificates of deposit is estimated using valuations provided by third-party pricing services. The Company classifies the fair value of certificates of deposit within level 2 of the valuation hierarchy.

**Residential Loans:** Management utilizes home price indices or market indications to value the residential loans. The Company classifies the fair value of these loans within level 2 in the valuation hierarchy.

**Equity Securities:** The fair value of equity securities that represent unrestricted investments in publicly traded companies (common or preferred shares, options, warrants, and other equity investments) are determined using the closing price of the security as of the reporting date. These are securities that are traded on a recognized liquid exchange and the Company classifies their fair value within level 1 of the valuation hierarchy. The fair value of equity securities that represent investments in privately held companies are generally determined either (i) based on a valuation model or (ii) based on recently observed transactions in the same instrument or similar instrument that we hold. These valuations are generally classified within either level 2 or level 3 of the valuation hierarchy.

**Equity Securities Without Readily Determinable Fair Value:** From time to time, the Company invests in equity securities that do not have a readily determinable fair value that also do not qualify for equity method accounting or the practical expedient for investments in investment companies which are measured at NAV. In those cases, the Company utilizes the measurement alternative of ASC 321-10-35-2. This alternative allows the Company to carry the investment at cost minus impairment. If the Company observes a market transaction for identical or similar instrument, it will adjust the carrying value of the equity security. If the equity security is being measured at cost minus impairment, it will be included as a component of other assets. If the equity security is being measured at fair value, it will be included as a component of other investments, at fair value. When measured at fair value using an orderly observable market transaction, it will generally be classified as level 1 in the valuation hierarchy.

**Restricted Equity Securities:** Restricted equity securities are investments in publicly traded companies. However, they are restricted from re-sale until either (a) the share price trades above a certain threshold for a certain period of time; or (b) a certain period of time elapses or both. The Company determines the fair value by utilizing a model that starts with the publicly traded share price but then applies a discount based on a Monte Carlo simulation. The inputs to this model are observable so the Company classifies these securities within level 2 of the valuation hierarchy. The Company is not allowed to sell these shares during the restriction period and there is no certainty as to when these hurdles will be met or if they will be met at all.

#### **Derivatives:**

##### *TBAs and Other Forward Agency MBS Contracts*

The Company generally values these securities using third party quotations such as unadjusted broker-dealer quoted prices or market price quotations from third party pricing services. TBAs and other forward agency MBS contracts are generally classified within level 2 of the valuation hierarchy. If there is limited transaction activity or less transparency to observe market based inputs to valuation models, TBAs and other forward agency MBS contracts are classified within level 3 of the valuation hierarchy. U.S. government agency MBS and CMOs include TBAs and other forward agency MBS contracts. Unrealized gains on TBAs and other forward agency MBS contracts are included in investments-trading on the Company's consolidated balance sheets and unrealized losses on TBAs and other forward agency MBS contracts are included in trading securities sold, not yet purchased on the Company's consolidated balance sheets. See note 10.

##### *Other Extended Settlement Trades*

When the Company buys or sells a financial instrument that will not settle in the regular time period, the Company will account for that purchase or sale on the settlement date rather than the trade date. In those cases, the Company accounts for the transaction between trade date and settlement date as a derivative (as either a purchase commitment or sale commitment). The Company will record an unrealized gain or unrealized loss on the derivative for the difference between the fair value of the underlying financial instrument as of the reporting date and the agreed upon transaction price. The Company will determine the fair value of the financial instrument using the methodologies described above.

##### *Equity Derivatives*

The Company may enter into equity derivatives which include listed options as well as other derivative transactions with an equity instrument as the underlying. Listed options are traded on a recognized liquid exchange and the Company classifies their fair value within level 1 of the valuation hierarchy. Other equity derivatives (where the underlying equity instrument is publicly traded but the derivative itself is not) are classified within level 2 of the valuation hierarchy. See footnote 10.

##### *Foreign Currency Forward Contracts*

Foreign currency forward contracts are exchange-traded derivatives, which transact on an exchange that is deemed to be active. The fair value of the foreign currency forward contracts is based on current quoted market prices. Valuation adjustments are not applied. These are classified within level 1 of the valuation hierarchy. See note 9.

*Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*

The following table presents additional information about investments in certain entities that calculate NAV per share (regardless of whether the “practical expedient” provisions of ASC 820 have been applied), which are measured at fair value on a recurring basis as of December 31, 2022 and 2021.

FAIR VALUE MEASUREMENTS OF INVESTMENTS IN CERTAIN ENTITIES  
THAT CALCULATE NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT)  
(Dollars in Thousands)

	December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Other investments, at fair value				
CREO JV (a)	\$ 6,568	\$ 8,464	N/A	N/A
U.S. Insurance JV (b)	3,459	N/A	N/A	N/A
SPAC Fund (c)	527	N/A	Quarterly after 1 year lock up	30 days
	<u>\$ 10,554</u>			

	December 31, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Other investments, at fair value				
CREO JV (a)	\$ 5,830	\$ 9,170	N/A	N/A
U.S. Insurance JV (b)	3,450	N/A	N/A	N/A
SPAC Fund (c)	1,980	NA	Quarterly after 1 year lock up	30 days
	<u>\$ 11,260</u>			

N/A – Not applicable.

- (a) The CREO JV invests in primarily multi-family commercial real estate mortgage-backed loans and below-investment grade rated tranches in CRE CLOs collateralized by mostly transitional commercial real estate mortgage-backed loans. See note 4.
- (b) The U.S. Insurance JV invests in USD denominated debt issued by small and medium sized insurance and reinsurance companies.
- (c) The SPAC Fund invests in equity interests of SPACs.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company may, from time to time, enter into the following derivative instruments:

### *Equity Derivatives*

A significant portion of the Company's equity holdings are carried at fair value. The Company hedges a portion of this exposure by entering into equity derivatives such as puts and short call options from time to time. These derivative positions are carried at fair value as a component of other investments, at fair value and other investments sold, not yet purchased in the Company's consolidated balance sheets. As of December 31, 2022 and December 31, 2021, the Company had no options. From time to time, the Company may also enter into forward purchase commitments for equity securities.

In addition, the Company may engage in advisory transactions that result in a receivable that can be paid in cash or a variable number of equity instruments. In such instances, the Company would record the receivable as a component of other assets in its consolidated balance sheet and record the equity component as an embedded derivative. All equity derivatives are carried at fair value as a component of other investments, at fair value or other investments sold, not yet purchased in the Company's consolidated balance sheets. As of December 31, 2022 and December 31, 2021, the Company had no embedded equity derivatives.

The Company also hedges a portion of the exposure from these equity investments by entering into short trades. These short trades are not treated as derivatives and are carried as a component of other investments sold, not yet purchased. See Note 7.

### *TBAs and Other Forward Agency MBS Contracts*

The Company enters into TBAs and other forward agency MBS transactions for three main reasons.

- (i) The Company trades U.S. government agency obligations. In connection with these activities, the Company may be required to maintain inventory in order to facilitate customer transactions. In order to mitigate exposure to market risk, the Company may enter into the purchase and sale of TBAs and other forward agency MBS contracts.
- (ii) The Company also enters into TBAs and other forward agency MBS contracts in order to assist clients (generally small to mid-size mortgage loan originators) in hedging the interest rate risk associated with the mortgages owned by these clients.
- (iii) Finally, the Company may enter into TBAs and other forward agency MBS contracts on a speculative basis.

The Company carries the TBAs and other forward agency MBS contracts at fair value and includes them as a component of investments-trading or trading securities sold, not yet purchased in the Company's consolidated balance sheets. At December 31, 2022, the Company had open TBA and other forward MBS purchase agreements in the notional amount of \$535,000 and open TBA and other forward MBS sale agreements in the notional amount of \$556,780. At December 31, 2021, the Company had open TBA and other forward agency MBS purchase agreements in the notional amount of \$1,243,250 and open TBA and other forward agency MBS sale agreements in the notional amount of \$1,283,850.

### *Other Extended Settlement Trades*

When the Company buys or sells a financial instrument that will not settle in the regular time period, the Company will account for that purchase and sale on the settlement date rather than the trade date. In those cases, the Company accounts for the transaction between trade date and settlement date as either a forward purchase commitment or a forward sale commitment, both considered derivatives. The Company will record an unrealized gain or unrealized loss on the derivative for the difference between the fair value of the underlying financial instrument as of the reporting date and the agreed upon transaction price. As of December 31, 2022 and December 31, 2021, the Company had no open forward purchase or sale commitments.

### *Foreign Currency Forward Contracts*

The Company invests in foreign currency denominated investments that expose it to fluctuations in foreign currency rates, and, therefore, the Company may, from time to time, hedge such exposure by using foreign currency forward contracts. The Company carries the foreign currency forward contracts at fair value and includes them as a component of other investments, at fair value in the Company's consolidated balance sheets. As of December 31, 2022 and 2021, the Company had no outstanding foreign currency forward contracts.

The following table presents the Company's derivative financial instruments and the amount and location of the fair value (unrealized gain / (loss)) presented in the consolidated balance sheets as of December 31, 2022 and 2021.

#### DERIVATIVE FINANCIAL INSTRUMENTS-BALANCE SHEET INFORMATION (Dollars in Thousands)

Derivative Financial Instruments Not Designated as Hedging Instruments Under ASC 815	Balance Sheet Classification	As of December 31,	
		2022	2021
TBAs and other forward agency MBS	Investments-trading	\$ 4,669	\$ 1,275
TBAs and other forward agency MBS	Trading securities sold, not yet purchased	(1,177)	(424)
		<u>\$ 3,492</u>	<u>\$ 851</u>

The following table presents the Company's derivative financial instruments and the amount and location of the net gain (loss) recognized in the consolidated statement of operations.

DERIVATIVE FINANCIAL INSTRUMENTS-STATEMENT OF OPERATIONS INFORMATION  
(Dollars in Thousands)

		<u>For the Year Ended December 31,</u>		
		2022	2021	2020
<u>Derivative Financial Instruments Not Designated as</u>	<u>Income Statement Classification</u>			
<u>Hedging Instruments Under ASC 815</u>				
TBAs and other forward agency MBS	Revenues-net trading	\$ 8,883	\$ 7,460	\$ 5,219
	Principal transactions and other			
Equity derivatives	income	-	(233)	105
		<u>\$ 8,883</u>	<u>\$ 7,227</u>	<u>\$ 5,324</u>

## 11. COLLATERALIZED SECURITIES TRANSACTIONS

### *Matched Book Repo Business*

The Company enters into repos and reverse repos as part of its matched book repo business. In general, the Company will lend money to a counterparty after obtaining collateral securities from that counterparty pursuant to a reverse repo. The Company will borrow money from another counterparty using the same collateral securities pursuant to a repo. The Company seeks to earn net interest income on these transactions. Until the fourth quarter 2021, the Company categorized its matched book repo business into two major groups: gestation repo and GCF repo. In the fourth quarter 2021, the Company wound down its GCF repo business.

### *Gestation Repo*

Gestation repo involves entering into repo and reverse repo transactions where the underlying collateral security represents a pool of newly issued mortgage loans. The borrowers (the reverse repo counterparties) are generally mortgage originators. The lenders (the repo counterparties) are a diverse group of the counterparties comprised of banks, insurance companies, and other financial institutions. The Company self-clears its gestation repo transactions.

Gestation trades can be structured in two ways:

On Balance Sheet: The Company executes a reverse repo with the borrower and a matching repo (with the same collateral and maturity date) with the lender. In this case the Company is a principal to each trade and is borrowing from one counterparty and lending to another and earning net interest margin. These transactions are referred to by the Company as on balance sheet gestation repo trades.

Agency Repo: Similar to the on balance sheet repo, the Company first executes a reverse repo with the borrower and a matching repo (with the same collateral and maturity date) with the lender. However, in this case, all three parties (borrower, lender, and the Company) simultaneously enter into an assignment agreement. The effect of this assignment is to remove the Company as principal to the reverse repo and repo and have the lender and borrower directly face each other in a repo trade. The Company receives a fee for its role in arranging the financing. These transactions are referred to by the Company as agency gestation repo trades.

### *Bankruptcy of Gestation Counterparty*

As of June 30, 2022, the Company had an outstanding reverse repo balance with First Guaranty Mortgage Corporation ("FGMC") totaling \$269,228. Also, effective June 30, 2022, FGMC filed for bankruptcy. Subsequent to June 30, 2022, the Company issued a default notice to FGMC under the reverse repo. The Company took possession of the collateral and began liquidating it.

As of December 31, 2022, the Company had liquidated all of the collateral with the exception of \$13,506 of residential mortgage loans. These loans are carried at fair value and are included in investments-trading in the consolidated balance sheets.

During the year ended December 31, 2022, the Company recorded a gross loss of \$5,454 in connection with the FGMC reverse repo. Of the \$5,454 loss, \$5,244 was recorded as a reduction in net trading revenue and \$210 was recorded in professional fees and other operating expense in the Company's statement of operations. The Company has filed an unsecured claim under the bankruptcy proceeding, related to this loss but does not expect to receive a material recovery. To the extent any recovery is received, the Company will recognize it on a cash basis as received, as a component of net trading revenue.

In connection with the loss, the Company recorded a reversal of accrued incentive compensation of \$1,753. Therefore, the net impact to earnings during the year ended December 31, 2022, was \$3,701.

### *GCF Repo*

In October 2017, the Company became a full netting member of the FICC's Government Securities Division. As a full netting member of the FICC, the Company had access to the FICC's GCF repo service that provides netting and settlement services for repo transactions where the underlying security is general collateral (primarily U.S. Treasuries and U.S. Agency securities). The Company began entering into matched book GCF repo transactions in November 2017. The borrowers (the reverse repo counterparties) were a diverse group of financial institutions including hedge funds, registered investment funds, REITs, and other similar counterparties. The lenders (the repo counterparties) were the FICC and other large financial institutions. The Company used Bank of New York ("BONY") as its settlement agent for its GCF repo matched book transactions. The Company was considered self-clearing for this business.

In October 2021, primarily due to reduced spreads in the repo market for GCF collateral, the Company decided to wind down this business, which was completed by December 31, 2021. As of December 31, 2022, the carrying value of the Company's GCF reverse repurchase agreements and repurchase agreements were zero.

In conjunction with the Company's GCF repo business, on October 19, 2018, the Company and BONY entered into an intraday lending facility. The lending facility allowed for BONY to advance funds to JVB in order to facilitate the settlement of GCF repo transactions. In conjunction with the wind down of the GCF repo business, the Company terminated this facility during 2021.

### *Other Repo Transactions*

In addition to the Company's matched book repo business, the Company may also enter into reverse repos to acquire securities to cover short positions or as an investment. Additionally, the Company may enter into repos to finance the Company's securities positions held in inventory. These repo and reverse repo agreements are generally cleared on a bilateral or triparty basis; no clearing broker is involved.

## Repo Information

At December 31, 2022 and 2021, the Company held reverse repos of \$437,692 and \$3,175,645, respectively, and the fair value of securities and cash received as collateral under reverse repos was \$440,681 and \$3,249,411, respectively.

At December 31, 2022 and 2021, the Company had repos of \$452,797 and \$3,171,415, respectively, and the fair value of securities pledged as collateral under repos was \$454,770 and \$3,232,091, respectively. These amounts include collateral for reverse repos that were re-pledged as collateral for repos.

## Concentration

In the matched book repo business, the demand for borrowed funds is generated by the reverse repo counterparty and the supply of funds is provided by the repo counterparty.

On the demand side, the Company did not consider its GCF repo business to be concentrated because the Company's reverse repo counterparties were comprised of a diverse group of financial institutions. On the supply side, the Company obtained a significant amount of its funds from the FICC. Therefore, during the periods the Company operated a GCF repo business, it considered that business to be concentrated from the supply side of the business.

The gestation repo business has been and continues to be concentrated as to reverse repo counterparties. The Company conducts this business with a limited number of reverse repo counterparties. As of December 31, 2022 and 2021, the Company's gestation reverse repos shown in the tables below represented balances from 8 and 14 counterparties, respectively. The Company also has a limited number of repo counterparties in the gestation repo business. However, this is primarily a function of the limited number of reverse repo counterparties with whom the Company conducts this business rather than a reflection of a limited supply of funds. Therefore, the Company considers the gestation repo business to be concentrated on the demand side.

The total net revenue earned by the Company on its matched book repo business (both gestation and GCF repo) was \$17,062, \$37,835, and \$27,659 for the years ended December 31, 2022, 2021, and 2020, respectively.

## Detail

ASC 210 provides the option to present reverse repo and repo on a net basis if certain netting conditions are met. The Company presents all repo and reverse repo transactions as well as counterparty cash collateral (see note 7 and 17) on a gross basis even if the underlying netting conditions are met. The amounts in the table below are presented on a gross basis.

The following tables summarize the remaining contractual maturity of the gross obligations under repos accounted for as secured borrowings segregated by the underlying collateral pledged as of each date shown. All amounts as well as counterparty cash collateral (see notes 7 and 17) are subject to master netting arrangements.

### Secured Borrowings (Dollars in Thousands) December 31, 2022

Collateral Type:	Repurchase Agreements				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
MBS (gestation repo)	\$ -	\$ 452,797	\$ -	\$ -	\$ 452,797

  

Collateral Type:	Reverse Repurchase Agreements				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
MBS (gestation repo)	\$ -	\$ 437,692	\$ -	\$ -	\$ 437,692

### SECURED BORROWINGS (Dollars in Thousands) December 31, 2021

Collateral Type:	Repurchase Agreements				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
MBS (gestation repo)	\$ -	\$ 3,171,415	\$ -	\$ -	\$ 3,171,415

  

Collateral Type:	Reverse Repurchase Agreements				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
MBS (gestation repo)	\$ -	\$ 3,175,645	\$ -	\$ -	\$ 3,175,645

## 12. INVESTMENTS IN EQUITY METHOD AFFILIATES

Equity method accounting requires that the Company record its investments in equity method affiliates on the consolidated balance sheets and recognize its share of the equity method affiliates' net income as earnings each reporting period. The Company elected to use the cumulative earnings approach for the distributions it receives from its equity method investments. Under the cumulative earnings approach, any distributions received up to the amount of cumulative earnings are treated as return on investment and classified in operating activities within the cash flows. Any excess distributions would be considered as return of investments and classified in investing activities.

The Company has certain equity method affiliates for which it has elected the fair value option. Those investees are excluded from the table below. Those investees are included as a component of other investments, at fair value in the consolidated balance sheets. All gains and losses (unrealized and realized) from investments classified as other investments, at fair value in the consolidated balance sheets are recorded as a component of principal transactions and other income in the consolidated statement of operations.

The following table summarizes the activities and earnings of the Company's investments that are accounted for under the equity method. See note 4 and note 31.

INVESTMENTS IN EQUITY METHOD AFFILIATES  
(Dollars in Thousands)

	Insurance SPACs	Dutch Real Estate Entities	Other SPAC Sponsor Entities	Total
January 1, 2020	\$ 3,222	\$ 577	\$ -	\$ 3,799
Investments / advances	10,325	2,097	300	12,722
Distributions / repayments	(84)	-	-	(84)
Earnings / (loss) realized	(3,656)	638	63	(2,955)
December 31, 2020	9,807	3,312	363	13,482
Investments / advances	-	2,425	5,967	8,392
Distributions / repayments	(3,958)	-	(249)	(4,207)
Reclasses to (from)	-	-	(5,439)	(5,439)
Earnings / (loss) realized	(1,306)	(137)	37,453	36,010
December 31, 2021	4,543	5,600	38,095	48,238
Investments / advances	1,355	-	1,259	2,614
Distributions / repayments	-	-	(77)	(77)
Reclasses to (from)	-	-	(20,915)	(20,915)
Earnings / (loss) realized	(5,898)	(70)	(14,963)	(20,931)
December 31, 2022	\$ -	\$ 5,530	\$ 3,399	\$ 8,929

The Insurance SPACs represent the Company's consolidated subsidiaries equity method investments in various insurance SPACs. Since 2018, the Company has sponsored three SPACs. The first sponsored SPAC, Insurance Acquisition Corp. ("Insurance SPAC"), completed its \$150.7 million IPO in March 2019, entered into a merger agreement in June 2020, and completed its business combination in October 2020 with Shift Technologies, Inc. ("Shift"), a car-buying e-commerce platform. When the merger closed on October 13, 2020, Insurance SPAC changed its name to "Shift Technologies, Inc." and, on October 15, 2020, its trading symbol on the NASDAQ Capital Market ("NASDAQ") changed from "INSU" to "SFT." The second sponsored SPAC, INSU Acquisition Corp. II ("Insurance SPAC II"), completed its \$250 million IPO in September 2020 and entered into a merger agreement in November 2020 with Metromile, Inc., a digital insurance platform and pay-by-mile auto insurer ("MetroMile"), which closed on February 9, 2021. When the merger closed, Insurance SPAC II changed its name to Metromile, Inc. and on February 10, 2021, its trading symbol on NASDAQ changed from "INAQ" to "MILE." Subsequently, MetroMile was acquired by Lemonade, Inc. (NASDAQ:LMND) ("Lemonade"). The third sponsored SPAC, INSU Acquisition Corp. III, completed its \$218 million IPO in December 2020 and was liquidated in December 2022 without completing a business combination within the required time period. See note 4.

Dutch Real Estate Entities includes: (i) Amersfoot Office Investment I Cooperatief U. A. ("AOI"), a company based in the Netherlands that invests in real estate, and (ii) CK Capital Partners B.V. ("CK Capital"), a company based in the Netherlands that manages investments in real estate.

Other SPAC Sponsor Entities includes both indirect and direct investments in SPAC Sponsor Entities. Several of these SPAC Sponsor Entities are invested in SPACs that have completed their business combinations. Those SPAC Sponsor Entities hold restricted and unrestricted equity interests in the public post-merger entities.

Over time, the Company expects these SPAC Sponsor Entities to either (a) liquidate their investments in these companies and distribute to the Company its allocable share of the cash proceeds or (b) to distribute the Company's allocable share of these equity investments in-kind to the Company.



The following tables show certain summary financial data of all the Company's equity method investees. These amounts include all equity method investees whether accounted for under the equity method or at fair value. All information is presented on a combined basis.

	December 31, 2022	December 31, 2021
Total Assets	\$ 894,858	\$ 1,158,081
Liabilities	\$ 400,927	\$ 193,433
Total Equity	493,931	964,648
Total Liabilities & Equity	\$ 894,858	\$ 1,158,081

	Year Ended December 31,		
	2022	2021	2020
Net income/(loss)	\$ (105,447)	\$ 277,134	\$ 21,416
Net income/(loss) attributable to the investee	\$ (105,460)	\$ 277,134	\$ 21,416

### 13. GOODWILL

Goodwill is comprised of the following.

#### GOODWILL (Dollars in Thousands)

	As of December 31,	
	2022	2021
AFN	\$ 109	\$ 109
JVB	-	-
Goodwill	\$ 109	\$ 109

The Company measures its goodwill impairment on an annual basis or when events indicate that goodwill may be impaired. The Company performs its annual impairment tests of AFN goodwill on October 1 of each year and had tested JVB goodwill on January 1 of each year.

#### *JVB Goodwill*

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and worldwide. The spread of COVID-19 has caused significant volatility in domestic and international markets. The volatility of the financial markets experienced since March 2020, as a result of the COVID-19 pandemic has caused the Company to operate JVB at a lower level of leverage than prior to the pandemic. The financial market volatility, as well as the reduction in volumes in the GCF repo and TBA businesses that resulted from COVID-19 required the Company to reassess the goodwill it had recorded related to JVB under the guidance of ASC 350. The Company determined that the fair value of JVB was less than the carrying value (including the goodwill). As a result, the Company recorded an impairment loss of \$7,883 for the year ended December 31, 2020. The impairment loss is included in the consolidated statements of operations as impairment of goodwill and is reflected as a component of operating expense.

#### *AFN Goodwill*

The annual impairment testing date for the AFN goodwill is October 1. The first testing date following the Merger was October 1, 2010. The Company determined the goodwill was not impaired as of 2022, 2021, and 2020. The Company concluded there was no triggering event for the goodwill related to AFN.

#### 14. LEASES

As of December 31, 2022, all of the leases to which the Company was a party were operating leases. The weighted average remaining term of the leases was 5.6 years. The weighted average discount rate for the leases was 4.59%. Maturities of operating lease liability payments consisted of the following.

##### FUTURE MATURITY OF LEASE LIABILITIES (Dollars in Thousands)

	As of December 31, 2022
2023	\$ 2,694
2024	2,165
2025	1,795
2026	1,507
2027	1,515
Thereafter	2,246
Total	11,922
Less imputed interest	(1,475)
Lease obligation	<u>\$ 10,447</u>

During the twelve months ended December 31, 2022 and 2021, total cash payments of \$2,285 and \$1,532, respectively, were recorded as a reduction in the operating lease obligation. No cash payments were made to acquire right of use assets.

## 15. OTHER ASSETS

Other assets consisted of the following.

### OTHER ASSETS (Dollars in Thousands)

	As of December 31,	
	2022	2021
Deferred costs	\$ 133	\$ 240
Prepaid expenses	1,325	1,286
Deposits	450	479
Miscellaneous other assets	-	258
Furniture, equipment, and leasehold improvements, net	1,472	1,456
Intangible assets	166	166
Other assets	<u>\$ 3,546</u>	<u>\$ 3,885</u>

Deferred costs and prepaid expenses represent amounts paid for services that are being amortized over their expected period of use and benefit. They are all routine and short-term in nature. Deposits are amounts held by landlords or other parties, which will be returned or offset upon satisfaction of a lease or other contractual arrangement.

## 16. FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET

Furniture, equipment, and leasehold improvements, net, which are included as a component of other assets on the consolidated balance sheets, are as follows.

### FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET (Dollars in Thousands)

	Estimated Useful Lives (In Years)	As of December 31,	
		2022	2021
Furniture and equipment	3 to 5	\$ 1,672	\$ 1,525
Leasehold improvements	5 to 10	1,962	1,545
		3,634	3,070
Accumulated depreciation		(2,162)	(1,614)
Furniture, equipment, and leasehold improvements, net		\$ 1,472	\$ 1,456

For the year ended December 31, 2022, the Company wrote-off fully depreciated furniture and equipment and leasehold improvements of \$11.

The Company recognized depreciation and amortization expense of \$557, \$371, and \$334, for the years ended December 31, 2022, 2021, and 2020, respectively, as a component of depreciation and amortization on the consolidated statements of operations, all of which represented depreciation of furniture, equipment, and leasehold improvements.

## 17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consisted of the following.

### ACCOUNTS PAYABLE AND OTHER LIABILITIES (Dollars in Thousands)

	As of December 31,	
	2022	2021
Accounts payable	\$ 891	\$ 122
Redeemable financial instruments accrued interest	-	291
Accrued income tax	70	179
Accrued interest payable	452	558
Accrued interest on securities sold, not yet purchased	1,561	704
Payroll taxes payable	1,565	1,548
Cash collateral held from repo and or reverse repo counterparties	4,301	17,320
Accrued expense and other liabilities	2,599	2,097
Accounts payable and other liabilities	<u>\$ 11,439</u>	<u>\$ 22,819</u>

The redeemable financial instrument accrued interest represents accrued interest on the JKD Capital Partners I LTD redeemable financial instruments. See notes 19 and 20.

When the Company enters into a reverse repo, the Company obtains collateral in excess of the principal of the reverse repo. The Company accepts collateral in the form of liquid securities or cash. To the extent the Company receives cash collateral, the Company includes it as a component of other liabilities in the table above. See note 11.

When the Company enters into repo transactions, the Company provides collateral to the Company's repo counterparty in excess of the principal balance of the repo. If the value of the securities the Company provides as collateral increases, the Company may request a return of its collateral with a value equal to such increase. In some cases, the repo counterparty will return cash instead of securities. In that case, the Company includes the cash returned as a component of other liabilities in the table above. See note 11.

## 18. VARIABLE INTEREST ENTITIES

As a general matter, a reporting entity must consolidate a VIE when it is deemed to be the primary beneficiary. The primary beneficiary is the entity that has both (a) the power to direct the matters that most significantly impact the VIE's financial performance and (b) a significant variable interest in the VIE.

### *Consolidated VIEs*

The Company determined it was the primary beneficiary of several VIEs and therefore has consolidated them. The following table provides certain summary information regarding the consolidated VIEs:

	As of December 31,	
	2022	2021
Cash and cash equivalents	\$ 19	\$ 43
Other investments, at fair value	-	9,543
Investment in equity method affiliates	23	33,080
Non-controlling interest	(15)	(29,979)
Investment in consolidated VIEs	<u>\$ 27</u>	<u>\$ 12,687</u>

The maximum potential loss the Company could incur related to the consolidated VIEs is the investment in consolidated VIEs shown in the table above plus certain obligations the Company has to fund additional working capital to the equity method investees of certain of the consolidated VIEs. The total amount of working capital commitment was \$0 and \$810 as of December 31, 2022 and 2021, respectively.

### *The Company's Principal Investing Portfolio*

Included in other investments, at fair value and investment in equity method affiliates in the consolidated balance sheets are unconsolidated investments in several VIEs. In each case, the Company determined that it was not the primary beneficiary. The maximum potential financial statement loss the Company would incur if the VIEs were to default on all their obligations would be the loss of the carrying value of these investments as well as any future investments the Company were to make. As of December 31, 2022 and 2021, there were \$8,464 and \$9,170, respectively of unfunded investment commitments to VIEs in which the Company has invested in. Other than its investment in these entities, the Company did not provide financial support to these VIEs during the years ended December 31, 2022 and 2021 and had no liabilities, contingent liabilities, or guarantees (implicit or explicit) related to these VIEs at December 31, 2022 and 2021. See table below.

For each investment management contract entered into by the Company, the Company assesses whether the entity being managed is a VIE and if the Company is the primary beneficiary. Certain of the Investment Vehicles managed by the Company are VIEs. Under the current guidance of FASB ASU 2015-12, the Company has concluded that its asset management contracts are not variable interests. Currently, the Company has no other interests in entities it manages that are considered variable interests and are considered significant. Therefore, the Company is not the primary beneficiary of any VIEs that it manages.

### *The Company's Trading Portfolio*

From time to time, the Company may acquire an interest in a VIE through the investments it makes as part of its trading operations, which are included as investments-trading or securities sold, not yet purchased in the consolidated balance sheets. Due to the high volume of trading activity in which the Company engages, the Company does not perform a formal assessment of each individual investment within its trading portfolio to determine if the investee is a VIE and if the Company is a primary beneficiary. Even if the Company were to obtain a variable interest in a VIE through its trading portfolio, the Company would not be deemed to be the primary beneficiary for two main reasons: (a) the Company does not usually obtain the power to direct activities that most significantly impact any investee's financial performance and (b) a scope exception exists within the consolidation guidance for cases where the reporting entity is a broker-dealer and any control (either as the primary beneficiary of a VIE or through a controlling interest in a voting interest entity) was deemed to be temporary. In the unlikely case that the Company obtained the power to direct activities and obtained a significant variable interest in an investee in its trading portfolio that was a VIE, any such control would be deemed to be temporary due to the rapid turnover of the Company's trading portfolio.

The following table presents the carrying amounts of the assets in the Company's consolidated balance sheets related to the Company's variable interests in identified VIEs with the exception of (i) the two trust VIEs that hold the Company's junior subordinated notes (see note 20) and (ii) any security that represents an interest in a VIE that is included in investments-trading or securities sold, not yet purchased in the Company's consolidated balance sheets. The table below shows the Company's maximum exposure to loss associated with these identified nonconsolidated VIEs in which it holds variable interests at December 31, 2022 and 2021.

CARRYING VALUE OF VARIABLE INTERESTS IN NON-CONSOLIDATED VARIABLE INTEREST ENTITIES  
(Dollars in Thousands)

	As of December 31,	
	2022	2021
Other investments, at fair value	\$ 10,554	\$ 11,260
Investments in equity method affiliates	3,376	5,015
Maximum Exposure	<u>\$ 13,930</u>	<u>\$ 16,275</u>



## 19. REDEEMABLE FINANCIAL INSTRUMENTS

Redeemable financial instruments consisted of the following.

### REDEEMABLE FINANCIAL INSTRUMENTS (Dollars in Thousands)

	As of December 31,	
	2022	2021
JKD Investor	\$ 7,868	\$ 7,957
	\$ 7,868	\$ 7,957

#### *JKD Capital Partners I LTD Amendment*

On October 3, 2016, the Operating LLC entered into an investment agreement (the “JKD Investment Agreement”), by and between Operating LLC and JKD Investor, pursuant to which the JKD Investor agreed to invest up to \$12,000 in the Operating LLC (the “JKD Investment”), \$6,000 of which was invested upon the execution of the JKD Investment Agreement, an additional \$1,000 was invested in January 2017, and an additional \$1,268 was invested on January 9, 2019. The JKD Investor is owned by Jack DiMaio, the vice chairman of the Company’s board of directors, and his spouse.

In exchange for the JKD Investment, the Operating LLC agreed to pay to JKD Investor during the term of the JKD Investment Agreement an amount (“JKD Investment Return”) equal to 50% of the difference between (i) the revenues generated during a quarter by the activities of the Institutional Corporate Trading Business of JVB (as defined in the JKD Investment Agreement, as amended) and (ii) certain expenses incurred by such Institutional Corporate Trading Business (the “Institutional Corporate Trading Business Net Revenue”). This JKD Investment Return is recorded monthly as interest expense or (interest income) with the related accrued interest recorded in accounts payable and other accrued liabilities. If the return is negative in an individual quarter, it will reduce the balance of the JKD Investment. Payments of the JKD Investment Return are made on a quarterly basis. The term of the JKD Investment Agreement commenced on October 3, 2016 and will continue until a redemption (as described below) occurs, unless the JKD Investment Agreement is terminated earlier.

On March 6, 2019, the JKD Investor and the Operating LLC entered into an amendment to the JKD Investment Agreement (the “JKD Investment Agreement Amendment”), pursuant to which the term “JKD Investment Return” under the JKD Investment Agreement was amended as follows:

- (a) during the fourth quarter of 2018, an amount equal to 42% of the Institutional Corporate Trading Business Net Revenue, and
- (b) commencing on January 1, 2019 and for each quarter during the remainder of the term of the JKD Investment Agreement, an amount equal to a percentage of the Institutional Corporate Trading Business Net Revenue, which percentage is based on the JKD Investor’s investment under the JKD Investment Agreement as a percentage of the total capital allocated to the Institutional Corporate Trading Business of JVB.

The JKD Investor may terminate the JKD Investment Agreement (i) upon 90 days’ prior written notice to the Operating LLC if the Operating LLC or its affiliates modify any of their policies or procedures governing the operation of their businesses or change the way they operate their business and such modification has a material adverse effect on the amounts payable to the JKD Investor pursuant to the JKD Investment Agreement or (ii) upon 60 days’ prior written notice to the Operating LLC if the employment of Lester Brafman, the Company’s chief executive officer, is terminated. The Operating LLC may terminate the JKD Investment Agreement, as amended, upon 60 days’ prior written notice to the JKD Investor if Mr. DiMaio ceases to control the day-to-day operations of the JKD Investor.

Upon a termination of the JKD Investment Agreement, as amended, the Operating LLC will pay to the JKD Investor an amount equal to the “Investment Balance” (as such term is defined in the JKD Investment Agreement, as amended) as of the day prior to such termination.

At any time following October 3, 2019, the JKD Investor or the Operating LLC may, upon two months’ notice to the other party, cause the Operating LLC to pay a redemption to the JKD Investor in an amount equal to the Investment Balance (as such term is defined in the JKD Investment Agreement, as amended) as of the day prior to such redemption.

If the Operating LLC or JVB sells JVB’s Institutional Corporate Trading Business to any unaffiliated third-party, and such sale is not part of a larger sale of all or substantially all of the assets or equity securities of the Operating LLC or JVB, the Operating LLC will pay to the JKD Investor an amount equal to 25% of the net consideration paid to the Operating LLC in connection with such sale, after deducting certain amounts and certain expenses incurred by the Operating LLC or JVB in connection with such sale.

Prior to September 30, 2019, the DGC Trust / CBF redeemable financial instruments were comprised of two separate agreements: the CBF Investment Agreement and the DGC Trust Investment Agreement.

The CBF Investment Agreement and the DGC Trust Investment Agreement were both amended on September 25, 2019 and again on December 4, 2019, with each amendment becoming effective October 1, 2019. The amendments included the following amendments to each of the CBF Investment Agreement and the DGC Trust Investment Agreement:

- (a) The term “Investment Amount” under the CBF Investment Agreement was reduced from \$8,000 to \$6,500 in exchange for a one-time payment of \$1,500 from the Operating LLC to CBF. The payment of \$1,500 was made by the Operating LLC to CBF in October 2019.
- (b) The term “Investment Return” under the CBF Investment Agreement was amended to mean an annual return equal to:
  - for the Annual Period ending on September 29, 2020, 3.75% of the Investment Amount, plus (x) 11.47% of any revenue of the GCF repo business (the “Revenue of the Business”) during such period between zero and \$11,777 plus (y) 7.65% of any Revenue of the Business during such period in excess of \$11,777. Prior to the second amendment, the Investment Return was with respect to any twelve-month period ending on September 29, 2020 (each, an “Annual Period”) was 3.75% of the Investment Amount plus (x) 11.47% of the Revenue of the Business for any Annual Period in which the Revenue of the Business was greater than zero but less than or equal to \$5,333, (y) \$612 for any Annual Period in which the Revenue of the Business is greater than \$5,333 but less than or equal to \$8,000, or (z) 7.65% of the Revenue of the Business for any Annual Period in which the Revenue of the Business is greater than \$8,000, and
  - for any Annual Period following September 29, 2020, (x) for any Annual Period in which the Revenue of the Business is greater than zero, the greater of 20% of the Investment Amount or 15.29% of the Revenue of the Business, or (y) for any Annual Period in which the Revenue of the Business is zero or less than zero, 3.75% of the Investment Amount.
- (c) The term “Investment Return” under the DGC Trust Investment Agreement was amended to mean an annual return equal to:
  - for the twelve-month period ending on September 29, 2020, 3.75% of the Investment Amount plus (x) 3.53% of any Revenue of the Business during such period between zero and \$11,177 plus (y) 2.35% of any Revenue of the Business during such period in excess of \$11,177. Prior to the second amendment, the Investment Return was 3.75% of the Investment Amount, as defined in the DGC Trust Investment Agreement, plus (x) 3.53% of the Revenue of the Business, for any Annual Period in which the Revenue of the Business is greater than zero but less than or equal to \$5,333, (y) \$188 for any Annual Period in which the Revenue of the Business is greater than \$5,333, but less than or equal to \$8,000, or (z) 2.35% of the Revenue of the Business for any Annual Period in which the Revenue of the Business is greater than \$8,000, and
  - for any Annual Period following September 29, 2020, (x) for any Annual Period in which the Revenue of the Business is greater than zero, the greater of 20% of the Investment Amount or 4.71% of the Revenue of the Business, or (y) for any Annual Period in which the Revenue of the Business is zero or less than zero, 3.75% of the Investment Amount.

On September 25, 2020, the Operating LLC and CBF entered into Amendment No. 3 to CBF Investment Agreement, which amended the CBF Investment Agreement (i) to extend the date thereunder pursuant to which the Company or CBF could cause a redemption of the Investment Amount from September 27, 2020 to January 1, 2021, and (ii) to state that no such redemption by the Company could be in violation of any loan agreement to which the Company was then a party.

On September 30, 2020, the Company redeemed the DGC Trust Investment Agreement in full by making payment of \$2,000.

On October 9, 2020 and effective October 15, 2020, the Operating LLC entered into Amendment No. 4 to Investment Agreement, which further amended the CBF Investment Agreement to, among other things, (A) decrease the “Investment Amount” under the CBF Investment Agreement from \$6,500 to \$4,000 in exchange for a one-time payment of \$2,500 from the Operating LLC to CBF; and (B) provide that the term “Investment Return” (as defined in the CBF Investment Agreement) will mean an annual return equal to, (i) for any twelve-month period following September 29, 2020 (each, an “Annual Period”) in which the revenue of the business of JVB (“Revenue of the Business”), is greater than zero, the greater of 20% of the Investment Amount or 9.4% of the Revenue of the Business, or (ii) for any Annual Period in which the Revenue of the Business is zero or less than zero, 3.75% of the Investment Amount. Prior to the Investment Agreement Amendment, the term “Investment Return” under the CBF Investment Agreement was defined as (A) with respect to any Annual Period in which the Revenue of the Business was greater than zero, the greater of 20% of the Investment Amount or 15.2% of the Revenue of the Business, or (ii) for any Annual Period in which the Revenue of the Business was zero or less than zero, 3.75% of the Investment Amount. The Company made the \$2,500 payment to CBF on October 15, 2020. The Company made a \$4,000 payment on March 30, 2021 to fully redeem the Investment Amount.

## 20. DEBT

### DETAIL OF DEBT (Dollars in Thousands)

Description	As of December 31,		Interest Rate Terms	Interest (2)	Maturity
	2022	2021			
Non-convertible debt:					
10.00% senior note (the "2020 Senior Notes")	\$ 4,500	\$ 4,500	Fixed	10.00%	January 2024
Contingent convertible debt:					
8.00% convertible senior note (the "2017 Convertible Note")	-	15,000	Fixed	8.00%	March 2023
Less unamortized debt issuance costs	-	(67)			
	-	14,933			
Junior subordinated notes (1):					
Alesco Capital Trust I	28,125	28,125	Variable	8.41%	July 2037
Sunset Financial Statutory Trust I	20,000	20,000	Variable	8.88%	March 2035
Less unamortized discount	(23,601)	(24,164)			
	24,524	23,961			
Byline Bank	-	-	Variable	N/A	December 2023
Total	\$ 29,024	\$ 43,394			

(1) The junior subordinated notes listed represent debt the Company owes to the two trusts noted above. The total par amount owed by the Company to the trusts is \$49,614. However, the Company owns the common stock of the trusts in a total par amount of \$1,489. The Company pays interest (and at maturity, principal) to the trusts on the entire \$49,614 junior notes outstanding. However, the Company receives back from the trusts the pro rata share of interest and principal on the common stock held by the Company. These trusts are VIEs and the Company does not consolidate them even though the Company holds the common stock. The Company carries the common stock on its balance sheet at a value of \$0. The junior subordinated notes are recorded at a discount to par. When factoring in the discount, the yield to maturity of the junior subordinated notes as of December 31, 2022 on a combined basis was 19.79% assuming the variable rate in effect on the last day of the reporting period remains in effect until maturity.

(2) Represents the interest rate in effect as of the last day of the reporting period.

On January 31, 2020, the Operating LLC entered into a note purchase agreement (the "Original Purchase Agreement") with JKD Capital Partners I LTD, a New York corporation ("JKD Investor"), and RN Capital Solutions LLC, a Delaware limited liability company ("RNCS"). The JKD Investor is owned by Jack DiMaio, the vice chairman of the Company's board of directors and his spouse. The note purchased by the JKD Investor is herein referred to as the JKD Note.

Pursuant to the Original Purchase Agreement, JKD Investor and RNCS each purchased a senior promissory note in the principal amount of \$2,250 (for an aggregate investment of \$4,500). The senior promissory notes bore interest at a fixed rate of 12% per annum and matured on January 31, 2022. On February 3, 2020, pursuant to the Original Purchase Agreement, the Operating LLC used the proceeds received from the issuance of the senior promissory notes to the JKD Investor and RNCS to repay in full all amounts outstanding under the senior promissory note, dated September 25, 2019, issued by the Company to Pensco Trust Company, Custodian fbo Edward E. Cohen IRA in the principal amount of \$4,386 (the "Cohen IRA Note"). The Cohen IRA Note was fully paid and extinguished on February 3, 2020. Subsequent to this repayment, \$2,400 of the 2019 Senior Notes remained outstanding.

On January 31, 2022, the Operating LLC and JKD Investor entered into a note purchase agreement (the "2022 Purchase Agreement"), pursuant to which, among other things, on such date, (i) JKD Investor paid to the Operating LLC an additional \$2,250 and (ii) in consideration for such funds, the Operating LLC issued to JKD Investor an Amended and Restated Senior Promissory Note in the aggregate principal amount of \$4,500 (the "Amended and Restated Note"), which Amended and Restated Note amended and restated the JKD Note in its entirety. The 2022 Purchase Agreement contains customary representations and warranties on the part of each of JKD Investor and the Operating LLC. The Company used these proceeds to retire \$2,250 of existing 2020 Senior Notes held by RNCS.

The Amended and Restated Note evidences Operating LLC's obligation to repay to JKD Investor (i) the original principal amount of \$2,250 paid by JKD Investor to the Operating LLC under the Original Purchase Agreement, plus (ii) the additional \$2,250 paid by JKD Investor to the Operating LLC under the 2022 Purchase Agreement. Pursuant to the Amended and Restated Note, which is substantially identical to the JKD Note, the unpaid principal amount and all accrued but unpaid interest thereunder will be due and payable in full on January 31, 2024; provided, that, at any time after January 31, 2023 and prior to January 31, 2024, the holder of the Amended and Restated Note may, with at least 31 days' prior written notice from the holder to the Operating LLC, declare the entire unpaid principal amount outstanding and all interest accrued and unpaid on the Amended and Restated Note to be immediately due and payable.

The Amended and Restated Note accrues interest on the unpaid principal amount from January 31, 2022 until maturity at a rate equal to 10% per year. Interest on the Amended and Restated Note is payable in cash quarterly on each January 1, April 1, July 1, and October 1, which commenced on April 1, 2022. Under the Amended and Restated Note, upon the occurrence or existence of any "Event of Default" thereunder, the outstanding principal amount is (or in certain instances, at the option of the holder thereof, may be) immediately accelerated. Further, upon the occurrence of any "Event of Default" under the Amended and Restated Note and for so long as such Event of Default continues, all principal, interest and other amounts payable under the Amended and Restated Note will bear interest at a rate equal to 11% per year. The Amended and Restated Note could not be prepaid in whole or in part prior to January 31, 2023. The Amended and Restated Note may, with at least 31 days' prior written notice from the Operating LLC to the holder thereof, be prepaid in whole or in part at any time following January 31, 2023 without the prior written consent of the holder and without penalty or premium.

The Amended and Restated Note and the payment of all principal, interest, and any other amounts payable thereunder are senior obligations of the Operating LLC and will be senior to any Indebtedness (as defined in the Amended and Restated Note) of the Operating LLC outstanding as of and issued following January 30, 2020 (the original issuance date of the JKD Note). Pursuant to the Amended and Restated Note, following January 31, 2022, the Operating Company may not incur indebtedness that is a senior obligation to the Amended and Restated Note.

On September 25, 2019, the Company amended and restated the previously outstanding 2013 Convertible Notes, which were scheduled to mature on September 25, 2019. The material terms and conditions of the 2013 Convertible Notes remained substantially the same, except that (i) the maturity date thereof was changed from September 25, 2019 to September 25, 2020; (ii) the conversion feature in the 2013 Convertible Notes was removed; (iii) the interest rate thereunder was changed from 8% per annum (9% in the event of certain events of default) to 12% per annum (13% in the event of certain events of default); and (iv) the restrictions regarding prepayment were removed. The post amendment notes are referred to herein as the “2019 Senior Notes” and the pre-amendment notes are referred to herein as the “2013 Convertible Notes.” On September 25, 2020, the 2019 Senior Notes were amended again to extend the maturity date from September 25, 2020 until September 25, 2021. All other material terms and conditions of the 2019 Senior Notes remained substantially the same. The Company fully paid and extinguished the 2019 Senior Notes on September 24, 2021. See note 32.

*The 2017 Convertible Note*

On March 10, 2017, the Operating LLC entered into a securities purchase agreement (the “2017 Convertible Note Purchase Agreement”), by and among the Operating LLC and DGC Trust, a trust established by Daniel G. Cohen. Daniel G. Cohen is the Executive Chairman of the Company’s board of directors and Executive Chairman of the board of managers of the Operating LLC.

Pursuant to the 2017 Convertible Note Purchase Agreement, the DGC Trust agreed to purchase from the Operating LLC, and the Operating LLC agreed to issue and to sell to the DGC Trust, a convertible senior secured promissory note (the “2017 Convertible Note”) in the aggregate principal amount of \$15,000. On March 10, 2017, the DGC Trust paid to the Operating LLC \$15,000 in cash in consideration for the 2017 Convertible Note. As required pursuant to ASC 470, the Company accounted for the 2017 Convertible Note as conventional convertible debt and did not allocate any amount of the proceeds to the embedded equity option.

Under the 2017 Convertible Note Purchase Agreement, the Operating LLC and the DGC Trust offered customary indemnifications. Further, the Operating LLC and the DGC Trust provided each other with customary representations and warranties, the Company provided limited representations and warranties to the DGC Trust, and each of the Operating LLC and the Company made customary affirmative covenants.

Pursuant to the 2017 Convertible Note Purchase Agreement, the Company agreed to execute an amendment (the “LLC Agreement Amendment”) to the Amended and Restated Limited Liability Company Agreement of the Operating LLC dated as of December 16, 2009, by and among the Operating LLC and its members, as amended (the “LLC Agreement”) at such time in the future as all of the other members executed the LLC Agreement Amendment. The LLC Agreement Amendment provided, among other things, that the board of managers would initially consist of Daniel G. Cohen, as Executive Chairman of the Operating LLC’s board of managers, Lester R. Brafman (the Company’s current chief executive officer), and Joseph W. Pooler, Jr. (the Company’s current executive vice president, chief financial officer, and treasurer). The LLC Agreement Amendment also provided that Daniel G. Cohen would not be able to be removed from the Operating LLC’s board of managers or as chairman of the Operating LLC’s board of managers other than for cause or under certain limited circumstances. On October 30, 2019, each of the members of Cohen & Company, LLC executed the LLC Agreement Amendment. The outstanding principal amount under the 2017 Convertible Note was due and payable on March 10, 2022 provided that the Operating LLC could, in its sole discretion, extend the maturity date for an additional one-year period, in each case unless the 2017 Convertible Note was earlier converted (into units of membership interests in the Operating LLC at the conversion rate of \$1.45 per unit as described in the manner described below). The Operating LLC exercised its option to extend effective March 10, 2022.

The 2017 Convertible Note accrued interest at a rate of 8% per year, payable quarterly. Provided that no event of default had occurred under the 2017 Convertible Note, if dividends of less than \$0.20 per share are paid on the Common Stock in any fiscal quarter prior to an interest payment date, then the Operating LLC could pay one-half of the interest payable on such date in cash, and the remaining one-half of the interest otherwise payable would be added to the principal amount of the 2017 Convertible Note then outstanding. The 2017 Convertible Note contained customary “Events of Default.” Upon the occurrence or existence of any Event of Default under the 2017 Convertible Note, the outstanding principal amount would be immediately accelerated in certain limited instances and could be accelerated in all other instances upon notice by the holder of the 2017 Convertible Note to the Operating LLC. Further, upon the occurrence of any Event of Default under the 2017 Convertible Note and for so long as such Event of Default continued, all principal, interest, and other amounts payable under the 2017 Convertible Note would bear interest at a rate equal to 9% per year. The 2017 Convertible Note could not be prepaid in whole or in part prior to the maturity date without the prior written consent of the holder thereof (which would be granted or withheld in its sole discretion). The 2017 Convertible Note was secured by the equity interests held by the Operating LLC in all of its subsidiaries.

At any time following March 10, 2017, all or any portion of the outstanding principal amount of the 2017 Convertible Note could be converted by the holder thereof into units of membership interests of the Operating LLC (“LLC Units”) at a conversion rate equal to \$1.45 per unit, subject to customary anti-dilution adjustments. Units of membership interests in the Operating LLC not held by Cohen & Company Inc. may, with certain restrictions, be redeemed and exchanged into shares of the Company on a ten-for-one basis. Therefore, the 2017 Convertible Note could be converted into Operating LLC units of membership interests and then redeemed and exchanged into Common Stock at an effective conversion price of \$14.50. Under the 2017 Convertible Note Purchase Agreement, the Company submitted a proposal to the Company’s stockholders at its 2017 annual meeting of stockholders to approve the Company’s issuance, if any, of Common Stock upon any redemption of the LLC units of membership interests and the Company’s board of directors agreed to recommend that the Company’s stockholders vote to approve such proposal. The proposal was approved at the Company’s 2017 annual meeting.

Following any conversion of the 2017 Convertible Note into LLC unit of membership interests, the holder of such LLC units of membership interests will have the same rights of redemption, if any, held by the holders of LLC units of membership interests as set forth in the LLC Agreement; provided that the holder will have no such redemption rights with respect to such LLC units of membership interests if the Company’s board of directors determines in good faith that satisfaction of such redemption by the Company with shares of its Common Stock would (i) jeopardize or endanger the availability to the Company of its net operating loss and net capital loss carryforwards and certain other tax benefits under Section 382 of the Internal Revenue Code of 1986, or (ii) constitute a “Change of Control” under the Junior Subordinated Indenture, dated as of June 25, 2007, between the Company (formerly Alesco Financial Inc.) and Wells Fargo Bank, N.A., as trustee.

Under the 2017 Convertible Note, if following any conversion of the 2017 Convertible Note into LLC units of membership interests, for so long as the Company owns a number of LLC units of membership interests representing less than a majority of the voting control of the Operating LLC, each holder of any LLC units of membership interests issued as a result of the conversion of the 2017 Convertible Note (regardless of how such LLC units of membership interests were acquired by such holder) is obligated to grant and appoint the Company as such holder's proxy and attorney-in-fact to vote (i) the number of LLC units of membership interests owned by each such holder that, if voted by the Company, would give the Company a majority of the voting control of the Operating LLC, or (ii) if such holder holds less than such number of LLC units of membership interests, all such holder's LLC units of membership interests. In connection with the amendment to the 2019 Senior Notes, on September 25, 2020, the Operating LLC and DGC Trust entered into Amendment No. 1 (the "Amendment to the 2017 Convertible Note") to the 2017 Convertible Note to provide that the voting proxy as defined in the 2017 Convertible Note will be revoked without further action by any party, upon the earliest to occur of the following: (i) a Notice Default (as defined in the 2017 Convertible Note); (ii) and Automatic Default (as defined in the 2017 Convertible Note); and (iii) if Daniel G. Cohen and/or his affiliates cease to beneficially own (as defined in Rule 13d-3 under the Exchange Act) a majority of the voting securities of the Company pursuant to the terms and conditions of the Amendment to the 2017 Convertible Note. All other material terms and conditions of the 2017 Convertible Note remained substantially the same.

On March 20, 2022, the DGC Trust elected to convert the 2017 Convertible Note into an aggregate of 10,344,827 units of membership interests in the Operating LLC at the conversion rate specified in the 2017 Convertible Note of \$1.45 per unit. See notes 21 and 31. As a result of such conversion, the 2017 Convertible Note was cancelled in its entirety.

Pursuant to the terms and conditions of the Operating LLC's Amended and Restated Limited Liability Company Agreement, dated December 16, 2009, as amended, a holder of LLC units of membership interests may cause the Operating LLC to redeem such units of membership interests at any time for, at the Company's option, (A) cash or (B) one share of the Company's common stock, par value \$0.01 per share ("Common Stock"), for every ten of such units of membership interests. Accordingly, the units of membership interests may be redeemed at any time by the DGC Trust into an aggregate of 1,034,482 shares of Common Stock.

Pursuant to the DGC Trust's governing documents, Daniel G. Cohen has the ability to acquire at any time any of the DGC Trust's assets, including the units of membership interests, by substituting other property of an equivalent value without the approval or consent of any person, including any trustee or beneficiary of the DGC Trust.

The Company assumed \$49,614 aggregate principal amount of junior subordinated notes outstanding at the time of the Merger. The Company recorded the debt at fair value on the acquisition date. Any difference between the fair value of the junior subordinated notes on the Merger date and the principal amount of debt is amortized into earnings over the estimated remaining life of the underlying debt as an adjustment to interest expense.

The junior subordinated notes are payable to two special purpose trusts:

1. Alesco Capital Trust I: \$28,995 in aggregate principal amount issued in June 2007. The notes mature on July 30, 2037 and may be called by the Company at any time. The notes accrue interest payable quarterly at a floating interest rate equal to LIBOR plus 400 basis points per annum through July 30, 2037. All principal is due at maturity. Alesco Capital Trust I simultaneously issued 870 shares of Alesco Capital Trust I's common securities to the Company for a purchase price of \$870, which constitutes all of the issued and outstanding common securities of Alesco Capital Trust I.

2. Sunset Financial Statutory Trust I ("Sunset Financial Trust"): \$20,619 in aggregate principal amount issued in March 2005. The notes mature on March 30, 2035. The notes accrue interest payable quarterly at a floating rate of interest of 90-day LIBOR plus 415 basis points. All principal is due at maturity. Sunset Financial Trust simultaneously issued 619 shares of Sunset Financial Trust's common securities to the Company for a purchase price of \$619, which constitutes all of the issued and outstanding common securities of Sunset Financial Trust.

Alesco Capital Trust I and Sunset Financial Trust (collectively, the "Trusts") described above are VIEs pursuant to variable interest provisions included in FASB ASC 810 because the holders of the equity investment at risk do not have adequate decision making ability over the Trusts' activities. The Company is not the primary beneficiary of the Trusts as it does not have the power to direct the activities of the Trusts. The Trusts are not consolidated by the Company and, therefore, the Company's consolidated financial statements include the junior subordinated notes issued to the Trusts as a liability, and the investment in the Trusts' common securities as an asset. The common securities were deemed to have a fair value of \$0 as of the Merger Date. These are accounted for as cost method investments; therefore, the Company does not adjust the value at each reporting period. Any income generated on the common securities is recorded as interest income, a component of interest expense, net, in the consolidated statement of operations.

The junior subordinated notes have several financial covenants. Since the Merger, Cohen & Company Inc. has been in violation of one covenant of Alesco Capital Trust I. As a result of this violation, Cohen & Company Inc. is prohibited from issuing additional debt that is either subordinated to or pari passu with Alesco Capital Trust I debt. This violation does not prohibit Cohen & Company Inc. from issuing senior debt or the Operating LLC from issuing debt of any kind. Cohen & Company Inc. is in compliance with all other covenants of the junior subordinated notes. The Company does not consider this violation to have a material adverse impact on its operations or on its ability to obtain financing in the future.

The U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it will cease publication of the most commonly used U.S. dollar LIBOR tenors after June 30, 2023, though the less commonly used tenors ceased publication after December 31, 2021. U.S. federal banking agencies have issued guidance to strongly encourage institutions to cease entering into contracts that reference LIBOR by December 31, 2021. Central banks and regulators in the U.S. and other jurisdictions are working to implement the transition to suitable replacements for LIBOR.

The junior subordinated notes payable to both Alesco Capital Trust I and Sunset Financial Trust incur interest that is calculated based on LIBOR. The junior subordinated notes payable to Alesco Capital Trust I provide for the manner in which interest is calculable under such notes if LIBOR is no longer published. As a result, once LIBOR is no longer published, the interest payable under the junior subordinated notes payable to Alesco Capital Trust I will instead bear interest with reference to a floating rate equal to the "Base Rate," which will be equal to the greater of the arithmetic mean of (i) the "prime rate" for dollar denominated loans quoted by leading banks in the City of New York and (ii) the "Federal Funds Rate," equal to the weighted average of the rate on overnight federal funds transactions with members of the Federal Reserve System only arranged by federal funds brokers, as published as of such day by the Federal Reserve Bank of New York, plus 0.50% per annum.

The junior subordinated notes payable to Sunset Financial Trust do not provide for the manner in which interest is calculable under such notes if LIBOR is no longer published. As a result, once LIBOR is no longer published, the interest payable under the junior subordinated notes payable to Sunset Financial Trust will be payable in accordance with the Adjustable Interest Rate (LIBOR) Act of 2021 (the "LIBOR Act"). The LIBOR Act was passed to provide a clear and uniform federal solution for transitioning existing U.S. law contracts that either lack or contain insufficient contractual provisions addressing the permanent cessation of LIBOR by providing for the transition to a replacement rate, which will be based on the SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities.

#### *PPP Loan*

On May 1, 2020, the Company applied for and received a \$2,166 loan (the "PPP Loan") under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Company carefully considered the eligibility requirements for PPP loans as well as supplemental guidance regarding the PPP beyond the applicable statute issued from time to time by government agencies and certain government officials. The Company was eligible for a PPP Loan because it had fewer than 100 employees at the time of the loan. Further, although the Company is public and listed on the NYSE American stock exchange, the Company's market capitalization is small, and the Company believes that it did not have access to the public capital markets at the time.

The PPP Loan was evidenced by a promissory note between the Company and FT Financial. The PPP Loan bore interest at a fixed rate of 1% per year, with the first six months of interest deferred, had a term of two years and could be prepaid at any time without payment of any premium. The PPP Loan was unsecured but guaranteed by the U.S. Small Business Administration. On September 23, 2020, the Company applied for forgiveness of the PPP Loan. On June 21, 2021, the Company received notification that the U.S. Small Business Administration, as administrator of the PPP, had approved the Company's PPP Loan forgiveness application for \$2,127 and all accrued interest on the PPP Loan, leaving the Company with a remaining PPP Loan balance of \$39. The PPP Loan forgiveness was recorded to other non-operating income on the consolidated statements of operations and comprehensive income. The Company repaid the remaining balance, plus accrued interest, on June 25, 2021, at which point the PPP Loan balance was reduced to zero.



Effective on April 25, 2018, the Company, the Operating LLC, and JVB Holdings, as guarantors, and JVB, as borrower, entered into a loan agreement (the "FT LOC") with FT Financial Bank, N.A. ("FT Financial") as lender in the total amount of up to \$25,000. FT Financial was formerly known as MB Financial Bank, N.A. In March 2020, the Company drew \$17,500 under the FT LOC. This amount was fully repaid (with accrued interest) on October 27, 2020.

On October 28, 2020, (i) the Company entered into a loan agreement (the "Original Byline Loan Agreement") with Byline Bank, as lender, and JVB, as borrower, by and among Byline Bank, the Company, the Operating LLC, JVB Holdings, JVB, and C&Co PrinceRidge Holdings, LP, pursuant to which Byline Bank agreed to make loans at JVB's request from time to time in the aggregate amount of up to \$7,500 and (ii) JVB and Byline Bank entered into a Revolving Note and Cash Subordination Agreement (the "Original Byline Note and Subordination Agreement"), pursuant to which, among other things, Byline Bank agreed to make loans at JVB's request from time to time in the aggregate amount of up to \$17,500. The Company drew \$17,500 under the Original Byline Note and Subordination Agreement during 2021 and repaid it in full during 2021. The Company and the Company's subsidiaries, the Operating LLC and JVB Holdings, served as guarantors of both the \$7,500 and \$17,500 facilities.

On December 21, 2021, (i) JVB and Byline Bank entered into the Amended and Restated Revolving Note and Cash Subordination Agreement (the "Amended and Restated Byline Loan Agreement"), which amended and restated the Original Byline Loan Agreement in its entirety, and (ii) the Original Byline Note and Subordination Agreement was terminated by the parties thereto. Pursuant to the Amended and Restated Byline Loan Agreement, Byline Bank agreed to make loans to JVB, at JVB's request from time to time, in the aggregate amount of up to \$25,000. Effective December 21, 2021, the Company received approval from FINRA to treat draws under the Amended and Restated Byline Loan Agreement as qualified subordinated debt. As such, draws may be treated as an increase in net capital for purposes of FINRA Rule 15(c) 3-1.

On December 21, 2022 (the "Effective Date"), Byline Bank and JVB entered into the Second Amended and Restated Revolving Note and Cash Subordination Agreement (the "Second Amended and Restated Agreement"), which amended and restated the Amended and Restated Agreement in its entirety. The primary purposes of the amendment and restatement of the Amended and Restated Agreement were (i) to replace the provisions therein relating to London Interbank Offered Rate (LIBOR) with provisions relating to Secured Overnight Financing Rate ("SOFR"), and (ii) to extend the lending period and maturity date of the loans under the Amended and Restated Byline Loan Agreement by an additional year. Effective December 22, 2022, the Company received approval from FINRA to treat draws under the Second Amended and Restated Agreement as qualified subordinated debt. As such, draws may be treated as an increase in net capital for purposes of FINRA Rule 15(c) 3-1.

Pursuant to the Second Amended and Restated Agreement, Byline Bank agreed to make loans to JVB, at JVB's request from time to time, in the aggregate amount of up to \$25,000. Loans (both principal and interest) made by Byline Bank to JVB under the Second Amended and Restated Agreement are scheduled to mature and become immediately due and payable in full on December 21, 2024. In addition, loans may be made under the Second Amended and Restated Agreement until December 21, 2023.

Loans under the Second Amended and Restated Agreement will bear interest at a per annum rate equal to the Term SOFR Rate (as such term is defined in the Second Amended and Restated Agreement) plus 6.0%, provided that in no event can the interest rate be less than 7.0%. JVB is required to pay on a quarterly basis an undrawn commitment fee at a per annum rate equal to 0.50% of the undrawn portion of the lender's \$25,000 commitment under the Second Amended and Restated Agreement. JVB is also required to pay on each anniversary of the Effective Date a commitment fee at a per annum rate equal to 0.50% of the Lender's \$25,000 commitment under the Second Amended and Restated Agreement. Pursuant to the terms of the Second Amended and Restated Agreement, JVB paid to the Lender a commitment fee of \$125 on the Effective Date.

JVB may request a reduction in Byline Bank's \$25,000 commitment in a minimum amount of \$1,000 and multiples of \$500 thereafter or such lesser amount as would bring the \$25,000 loan commitment to the total principal amount of loans advanced under the Second Amended and Restated Agreement.

The obligations of JVB under the Second Amended and Restated Agreement are guaranteed by the Company, the Operating LLC, and JVB, and are secured by a lien on all JVB's property, including its 100% ownership interest in all the outstanding units of membership interests of JVB. Pursuant to the Second Amended and Restated Agreement, Byline Bank and JVB provide customary representations and warranties for a transaction of this type.

The Second Amended and Restated Agreement also includes customary covenants for a transaction of this type, including covenants limiting the indebtedness that can be incurred by JVB and Holdings LP and restricting the JVB's ability to make certain loans and investments. Additionally, under the Second Amended and Restated Agreement, JVB may not permit its (A) net worth to be less than \$85,000 at any time from December 22, 2022 through and including June 30, 2023, and \$90,000 from July 1, 2023 and thereafter; and (B) excess net capital to be less than \$40,000 at any time. Further, any loans outstanding under the Second Amended and Restated Agreement may not exceed 0.25 times the JVBs tangible net worth.

Pursuant to the Second Amended and Restated Agreement, JVB and the Operating LLC may repay their existing outstanding indebtedness (as defined) provided, however, that if the anticipated payment relates to the payment of any dividend by JVB, on the date such payment is made, and immediately after making such payment, the loans outstanding under the Second Amended and Restated Agreement may not exceed \$10,000.

The Second Amended and Restated Agreement contains customary events of default for a transaction of this type. If an event of default under the Second Amended and Restated Agreement occurs and is continuing, then Byline Bank may declare and cause all or any part of the loans thereunder and all other liabilities outstanding under the Second Amended and Restated Agreement to become immediately due and payable.

As of December 31, 2021 and 2022, no amounts were outstanding under the Amended and Restated Byline Loan Agreement or the Second Amended and Restated Agreement, respectively, and the Company was in compliance with all financial covenants.



In 2018, the Company formed a wholly owned subsidiary, ViaNova Capital Group LLC ("ViaNova"), for the purpose of building a residential transition loan ("RTL") business. RTLs are small balance commercial loans that are secured by first lien mortgages used by professional investors and real estate developers to finance the purchase and rehabilitation of residential properties. On November 20, 2018, ViaNova, as borrower, entered into a Warehousing Credit and Security Agreement (the "LegacyTexas Credit Facility") with LegacyTexas Bank, as the lender, with an effective date of November 16, 2018, and amended on May 4, 2019 and September 25, 2019. The LegacyTexas Credit Facility supported the purchasing, aggregating, and distribution of RTLs by ViaNova.

On March 19, 2020, ViaNova received a notice of default from LegacyTexas Bank regarding the LegacyTexas Credit Facility, stating that ViaNova's unrestricted cash balance was less than the amount required. Also, on March 19, 2020, ViaNova received notice from LegacyTexas Bank that the bank had suspended funding all "alternative" loans for all of their clients, including the RTLs that were the subject of the LegacyTexas Credit Facility. In March 2020, ViaNova repaid all outstanding indebtedness under the LegacyTexas Credit Facility and stopped acquiring new RTLs. On August 22, 2020, the Company sold its investment in ViaNova to the former managing director of ViaNova in exchange for the managing director's assumption of all ViaNova's liabilities and a potential earn out of up to \$500. In conjunction with the sale, the Company transferred one RTL representing a par value of \$2,300 and a fair value of \$2,243 from ViaNova to JVB with a maturity date of January 1, 2021.

#### Deferred Financing

The Company incurred \$1,400 of deferred financing costs associated with the issuance of the 2017 Convertible Note. These amounts were initially recorded as a discount on debt and are amortized to interest expense over the life of the notes under the effective interest method.

The Company also incurred \$410 of deferred financing costs associated with the Byline Credit Facility. These costs were initially recorded as a component of other assets and are amortized to interest expense over the life of the line of credit using the straight-line method. The Company recognized interest expense from deferred financing costs of \$185, \$471, and \$626 for the years ended December 31, 2022, 2021, and 2020, respectively.

#### Interest Expense, Net

Interest expense incurred is shown in the table below by instrument for the years ended December 31, 2022, 2021, and 2020.

#### INTEREST EXPENSE (Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	2020
Junior subordinated notes	\$ 3,442	\$ 2,601	\$ 2,882
2020 Senior Notes	458	540	496
2017 Convertible Note	327	1,534	1,505
2013 Convertible Notes / 2019 Senior Notes	-	211	336
FT LOC / Byline LOC	247	435	1,102
Redeemable Financial Instrument - DGC Trust / CBF	-	197	1,490
Redeemable Financial Instrument - JKD Investor	508	1,715	1,883
Redeemable Financial Instrument - ViaNova Capital Group, LLC	-	-	(105)
	<u>\$ 4,982</u>	<u>\$ 7,233</u>	<u>\$ 9,589</u>

The redeemable financial instrument – Via Nova Capital Group, LLC had a negative return during 2020. Accordingly, the redemption value of the instrument was reduced, which was recorded as interest income. See Legacy Texas discussion above.

## 21. EQUITY

### *Common Stock*

The holders of the Common Stock are entitled to one vote per share on all matters presented to the Company's stockholders. These holders are entitled to receive distributions on such stock when, as, and if authorized by the Company's board of directors out of funds legally available and declared by the Company, and to share ratably in the assets legally available for distribution to the Company's stockholders in the event of its liquidation, dissolution, or winding up after payment of or adequate provision for all of the Company's known debts and liabilities, including the preferential rights on dissolution of any class or classes of preferred stock. The holders of the Common Stock have no preference, conversion, exchange, sinking fund, redemption, or, so long as the Common Stock remains listed on a national exchange, appraisal rights and have no preemptive rights to subscribe for any of the Company's securities. Shares of the Common Stock have equal dividend, liquidation, and other rights.

### *Preferred Stock*

**Series C Junior Participating Preferred Stock:** Series C Junior Participating Preferred Stock ("Series C Preferred Stock") was authorized by the Company's board of directors in connection with the Stockholder Rights Plan discussed below. The Series C Preferred Stock has a par value of \$0.001 per share and 10,000 shares were authorized as of December 31, 2022 and 2021. The holders of Series C Preferred Stock are entitled to receive, when, as, and if declared by the Company's board of directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September, and December in each year commencing on the first quarterly dividend payment date after the first issuance of a share or fraction of a share of Series C Preferred Stock. Dividends accrue and are cumulative. The holder of each share of Series C Preferred Stock is entitled to 10,000 votes on all matters submitted to a vote of the Company's stockholders. Holders of Series C Preferred Stock are entitled to receive dividends, distributions or distributions upon liquidation, dissolution, or winding up of the Company in an amount equal to \$100,000 per share of Series C Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions, whether or not declared, prior to payments made to holders of shares of stock ranking junior to the Series C Preferred Stock. The shares of Series C Preferred Stock are not redeemable. There were no shares of Series C Preferred Stock issued and outstanding as of December 31, 2022 and 2021.

**Series E Voting Non-Convertible Preferred Stock:** Each share of the Company's Series E Voting Non-Convertible Preferred Stock ("Series E Preferred Stock") has no economic rights but entitles the holders thereof, to vote the Series E Preferred Stock on all matters presented to the Company's stockholders. For every 10 shares of Series E Preferred Stock, the holders thereof are entitled to one vote on any such matter. Daniel G. Cohen, the Company's Executive Chairman, is the sole holder of all 4,983,557 shares of Series E Preferred Stock outstanding as of December 31, 2022. The Series E Preferred Stock held by Daniel G. Cohen gives him the same voting rights he would have if all of the Operating LLC units of membership interests held by him were exchanged for Common Stock on a ten for one basis and effectively gives him voting rights at the Company in the same proportion as his economic interest (as his units of membership interests of the Operating LLC do not carry voting rights at the Company level). The Series E Preferred Stock effectively enables Daniel G. Cohen to exercise approximately 11.0% of the voting power of the Company's total shares outstanding that were entitled to vote as of December 31, 2022 (in addition to the voting power he holds through his common share ownership and Series F Preferred Stock (defined below)). The terms of the Series E Preferred Stock provide that, if the Company causes the redemption of or otherwise acquires any of the Operating LLC units owned by Daniel G. Cohen as of May 9, 2013, then the Company will redeem an equal number of shares of Series E Preferred Stock. The Series E Preferred Stock is otherwise perpetual. As of December 31, 2022, there were 4,983,557 shares of Series E Preferred Stock issued and outstanding. See *Non-Controlling Interest — Future Conversion / Redemption of Operating LLC Units* below.

**Series F Voting Non-Convertible Preferred Stock:** On December 23, 2019, the board of directors adopted a resolution that reclassified 25,000,000 authorized but unissued shares of Preferred Stock, par value \$.001 per share, of the Company as a series of Preferred Stock designated as Series F Voting Non-Convertible ("Series F Preferred Stock"). In conjunction with SPA, the Company issued 12,549,273 Series F Preferred Stock to Daniel G. Cohen and 9,880,268 Series F Preferred Stock to the DGC Trust. The holders of the Series F Preferred Stock are not entitled to receive any dividends or distributions (whether in cash, stock or property of the Company). The holders of Series F Preferred Stock and Common Stock are required to vote, together as a single class on all matters with respect to which a vote of the stockholders of the Corporation is required or permitted. Each outstanding share of Series F Preferred Stock entitles the holder to (1) vote for every ten (10) shares of Series F Preferred Stock on each matter submitted to the Holders for their vote. The Series F Preferred Stock held by Daniel G. Cohen and the DGC Trust give them the same voting rights they would have if all of the Operating LLC units of membership interests held by each were exchanged for Common Stock on a ten for one basis and effectively gives Daniel G. Cohen and the DGC Trust voting rights at the Company in the same proportion as their economic interest (as units of membership interests of the Operating LLC do not carry voting rights at the Company level). The Series F Preferred Stock effectively enables Daniel G. Cohen and the DGC Trust to exercise approximately 49.7% of the voting power of the Company's total shares outstanding that were entitled to vote as of December 31, 2022 (in addition to the voting power held through his common share ownership and Series E Preferred Stock ownership). As of December 31, 2022, there were 22,429,541 shares of Series F Preferred Stock issued and outstanding. See *Non-Controlling Interest/ - Securities Purchase Agreement – Purchase of IMXI shares* below.

Together, the Series E and Series F Preferred Stock enables Daniel G. Cohen and the DGC Trust to exercise approximately 60.7% of the voting power of the Company's total shares outstanding that were entitled to vote as of December 31, 2022, in addition to the voting power held through Mr. Cohen's common share ownership.

#### *Stockholder Rights Plan*

On March 10, 2020, the Company entered into a new Section 382 Rights Agreement (the "Rights Agreement") with Computershare Inc., as rights agent (the "Rights Agent"). The Rights Agreement provided for a distribution of one preferred stock purchase right (each, a "Right," and collectively, the "Rights") for each share of the Company's common stock outstanding to stockholders of record at the close of business on March 20, 2020 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company a unit (a "Unit") consisting of one ten-thousandth of a share of the Company's Series C Junior Participating Preferred Stock, par value \$0.001 per share (the "Series C Preferred Stock"), at a purchase price of \$100.00 per Unit (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in the Rights Agreement.

Initially, the Rights will be attached to all Common Stock certificates representing shares then outstanding or, in the case of uncertificated shares of Common Stock registered in book entry form ("Book Entry Shares") by notation in book entry (which certificates for Common Stock and Book Entry Shares shall be deemed also to be certificates for Rights), and no separate Rights certificates will be distributed.

Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the Common Stock and a "Distribution Date" will occur upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons has become an "Acquiring Person" (as defined below) (the "Stock Acquisition Date") and (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person. Pursuant to the Rights Agreement, an "Acquiring Person" means any person or entity who or which, together with all affiliates and associates of such person or entity, is the beneficial owner of 4.95% or more of the shares of Common Stock then outstanding but does not include the Company or any "Exempted Person" (as defined below). Until the Distribution Date, (i) the Rights will be evidenced by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (ii) new Common Stock certificates after the Record Date will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

Pursuant to the Rights Agreement, an "Exempted Person" is any person or entity who, together with all affiliates and associates of such person or entity, was or could become, as of March 10, 2020, the beneficial owner of Common Stock and/or other securities exercisable for shares of Common Stock representing 4.95% or more of the shares of Common Stock outstanding as of March 10, 2020. However, any such person or entity will no longer be deemed to be an Exempted Person and shall be deemed an Acquiring Person under the Rights Agreement if such person or entity, together with all affiliates and associates of such person or entity, becomes the beneficial owner (and so long as such person continues to be the beneficial owner of 4.95% or more of the then outstanding shares of Common Stock) of additional shares of Common Stock, except (x) pursuant to equity compensation awards granted to such person or entity by the Company or options or warrants outstanding and beneficially owned by such person or entity as of March 10, 2020, or as a result of an adjustment to the number of shares of Common Stock represented by such equity compensation award pursuant to the terms thereof; or (y) as a result of a stock split, stock dividend or the like. In addition, any person or entity who, together with all affiliates and associates of such person or entity, becomes the beneficial owner of Common Stock and/or other securities exercisable for shares of Common Stock representing 4.95% or more of the shares of Common Stock then outstanding as a result of a purchase by the Company or any of its subsidiaries of shares of Common Stock will also be an "Exempted Person." However, any such person will no longer be deemed to be an Exempted Person and will be deemed to be an Acquiring Person if such person, together with all affiliates and associates of such person, becomes the beneficial owner, at any time after the date such person became the beneficial owner of 4.95% or more of the then outstanding shares of Common Stock, of additional shares of Common Stock, except if such additional securities are acquired (x) pursuant to the exercise of options or warrants to purchase Common Stock outstanding and beneficially owned by such person as of the date such person became the beneficial owner of 4.95% or more of the then outstanding shares of Common Stock or as a result of an adjustment to the number of shares of Common Stock for which such options or warrants are exercisable pursuant to the terms thereof, or (y) as a result of a stock split, stock dividend or the like.

In addition, the Rights Agreement defines the term "Exempted Person" to also include any person or entity who, together with all affiliates and associates of such person or entity, is the beneficial owner of Common Stock and/or other securities exercisable for shares of Common Stock representing 4.95% or more of the shares of Common Stock outstanding, and whose beneficial ownership would not, as determined by the Company's board of directors, jeopardize or endanger the availability of the Company of its deferred tax assets. However, any such person or entity will cease to be an Exempted Person if (x) such person or entity ceases to beneficially own 4.95% or more of the shares of the then outstanding Common Stock or (y) the Company's board of directors makes a contrary determination with respect to the effect of such person's or entity's beneficial ownership (together with all affiliates and associates of such person) with respect to the availability to the Company of its deferred tax assets.

Pursuant to the Rights Agreement, a purchaser, assignee or transferee of the shares of Common Stock (or options or warrants exercisable for Common Stock) from an Exempted Person will not be considered an Exempted Person, except that a transferee from the estate of an Exempted Person who receives Common Stock as a bequest or inheritance from an Exempted Person will be an Exempted Person so long as such transferee continues to be the beneficial owner of 4.95% or more of the then outstanding shares of Common Stock.

The Rights are not exercisable until the Distribution Date and will expire on the earliest of (i) the close of business on December 31, 2023, (ii) the time at which the Rights are redeemed pursuant to the Rights Agreement, (iii) the time at which the Rights are exchanged pursuant to the Rights Agreement, (iv) the repeal of Section 382 of the Code or any successor statute if the Company's board of directors determines that the Rights Agreement is no longer necessary or desirable for the preservation of certain tax benefits, and (v) the beginning of a taxable year of the Company to which the Company's board of directors determines that certain tax benefits may not be carried forward. At no time will the Rights have any voting power.

Except as otherwise determined by the Company's board of directors, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

Pursuant to the Rights Agreement, in the event that a person or entity becomes an Acquiring Person, each other holder of a Right will thereafter have the right to receive, upon exercise, Common Stock (or, in certain circumstances, cash, property or other securities of the Company), having a value equal to two times the exercise price of the Right. The exercise price is the Purchase Price times the number of Units associated with each Right (initially, one). For example, at an exercise price of \$100.00 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following an event set forth in the preceding paragraph would entitle its holder to purchase \$200.00 worth of Common Stock (or other consideration, as noted above) for \$100.00. If the Common Stock at the time of exercise had a market value per share of \$20.00, the holder of each valid Right would be entitled to purchase ten (10) shares of Common Stock for \$100.00.

Notwithstanding any of the foregoing, following the occurrence of a person or entity becoming an Acquiring Person (the "Flip-In Event"), all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by such Acquiring Person will be null and void.

In the event that, at any time following the Stock Acquisition Date, (i) the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation; (ii) the Company engages in a merger or other business combination transaction in which the Company is the surviving corporation and the Common Stock is changed or exchanged; or (iii) 50% or more of the Company's assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights which have previously been voided as set forth above) will thereafter have the right to receive, upon exercise of the Right, common stock of the acquiring company having a value equal to two times the exercise price of the Right. However, Rights are not exercisable following the occurrence of a Flip-In Event until such time as the Rights are no longer redeemable by the Company as set forth below.

The Purchase Price payable, and the number of Units of Series C Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series C Preferred Stock, (ii) if holders of the Series C Preferred Stock are granted certain rights or warrants to subscribe for Series C Preferred Stock or convertible securities at less than the current market price of the Series C Preferred Stock, or (iii) upon the distribution to holders of the Series C Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustments in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Series C Preferred Stock on the last trading date prior to the date of exercise.

At any time after the Stock Acquisition Date, the Company may exchange all or part of the Rights (other than Rights owned by an Acquiring Person) for Common Stock at an exchange ratio equal to (i) a number of shares of Common Stock per Right with a value equal to the spread between the value of the number of shares of Common Stock for which the Rights may then be exercised and the Purchase Price or (ii) if prior to the acquisition by the Acquiring Person of 50% or more of the then outstanding shares of Common Stock, one share of Common Stock per Right (subject to adjustment).

At any time until ten days following the Stock Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right. Immediately upon the action of the Company's board of directors ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the \$0.001 redemption price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to shareholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Common Stock (or other consideration) of the Company as set forth above or in the event the Rights are redeemed.

### *Net Share Settlement of Restricted Stock*

The Company may, from time to time, net share settle equity-based awards for the payment of employees' tax obligations to taxing authorities related to the vesting of such equity-based awards. The total shares withheld and retired are based on the value of the restricted award on the applicable vesting date as determined by the Company's closing stock price. These net share settlements reduce the number of shares that would have otherwise been issued as a result of the vesting and do not represent an expense to the Company.

### *Repurchases of Shares and Retirement of Treasury Stock*

On December 21, 2020 and August 31, 2020, the Company entered into letter agreements (the "December 2020 Letter Agreement" and the "August 2020 Letter Agreement," respectively, and, together, the "10b5-1 Plan"). The December 2020 Letter Agreement and the August 2020 Letter Agreement were entered into with Piper Sandler & Co. and authorized the Agent to use reasonable efforts to purchase, on the Company's behalf, up to an aggregate maximum amount of \$1,000 of Common Stock for the December 2020 Letter Agreement and \$2,000 for the August 2020 Letter Agreement on any day that the NYSE American Stock Exchange was open for business. The December 2020 Letter Agreement was effective from December 23, 2020 until July 28, 2021, at which time the aggregate maximum purchase authorization was reached. The August 2020 Letter Agreement was in effect from August 31, 2020 until November 19, 2020, at which time the aggregate maximum purchase authorization was reached. Pursuant to the 10b5-1 Plan, purchases of Common Stock may be made in public and private transactions and must comply with Rule 10b-18 under the Exchange Act. The 10b5-1 Plan was designed to comply with Rule 10b5-1 under the Exchange Act.

During the twelve months ended December 31, 2021, pursuant to the 10b-5 Plan, the Company repurchased 49,544 shares of Common Stock in the open market for a total purchase price of \$857.

During the twelve months ended December 31, 2020, pursuant to the 10b5-1 Plan, the Company repurchased 121,181 shares of Common Stock in the open market for a total purchase price of \$2,143.

All of the repurchases noted above were completed using cash on hand.

### *Equity Distribution Agreement*

On December 1, 2020, the Company entered into an Equity Distribution Agreement (the "Equity Agreement") with Northland Securities, Inc. (trade name Northland Capital Markets), as sales agent (the "Sales Agent"), relating to the issuance and sale from time to time by the Company (the "ATM Program"), through the Sales Agent, of shares of the Company's Common Stock, having an aggregate offering price of up to \$75,000 (collectively the "Shares"). Sales of the Shares, if any, under the Equity Agreement will be made in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act as agreed with the Sales Agent. In accordance with applicable rules of the SEC, the Company was permitted to sell an aggregate of up to \$9,318 in Shares under the Equity Agreement, which represented one-third of the value of the Common Stock held by non-affiliates as of March 5, 2021.

On June 7, 2021, the Company entered into a letter agreement (the "Equity Distribution Letter Agreement") with the Sales Agent, pursuant to which the Sales Agent agreed to use its best efforts to, commencing on June 5, 2021, sell on the Company's behalf up to \$7,966 of the shares in the open market pursuant to the terms and conditions of the Equity Agreement and the Equity Distribution Letter Agreement, and the Company agreed not to take any action that would cause the sales of the Shares under the Equity Distribution Letter Agreement not to comply with Rule 10b5-1 or Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Equity Distribution Letter Agreement was entered into in connection with the ATM Program and is designed to comply with Rule 10b5-1 under the Exchange Act.

The Equity Agreement includes customary representations, warranties and covenants by the Company and customary obligations of the parties and termination provisions. The Company has agreed to indemnify the Sales Agent against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Sales Agent may be required to make with respect to any of those liabilities. The Company will pay the Sales Agent for sales of its common stock a commission of 2.5% of the gross offering proceeds of the Shares sold through the Sales Agent pursuant to the Equity Agreement.

The offering of the Common Stock pursuant to the Equity Agreement will terminate upon the sale of all of the Shares pursuant to the Equity Agreement, unless sooner terminated in accordance with the terms and conditions of the Equity Agreement.

During the year ended December 31, 2021, the Company sold 300,859 shares in the open market pursuant to the Equity Distribution Agreement for a total net sale price of \$9,076. No shares were sold under the Equity Distribution Agreement during the year ended December 31, 2022.

## Dividends and Distributions

During the year ended December 31, 2022, the Company paid cash dividends of \$1.75 per common share, which included a special cash dividend of \$.75 per share paid on April 5, 2022. During the year ended December 31, 2021, the Company declared and paid cash dividends of \$0.50 per common share. During the year ended December 31, 2020, no dividends were declared and all payments made were related to the vesting of restricted stock.

In the aggregate, during 2022, 2021, and 2020, the Company paid cash dividends on its outstanding Common Stock in the amount of \$2,558, \$671, and \$27, respectively. Pro-rata distributions were made to the other members of the Operating LLC upon the payment of dividends to the Company's stockholders. During 2022, 2021, and 2020, the Company paid cash distributions of \$6,485, \$2,103, and \$35, respectively, to the holders of the non-controlling interest (that is, the members of the Operating LLC other than Cohen & Company Inc.).

Certain subsidiaries of the Operating LLC have restrictions on the withdrawal of capital and otherwise in making distributions and loans. JVB is subject to net capital restrictions imposed by the SEC and FINRA, which require certain minimum levels of net capital to remain in this subsidiary. In addition, these restrictions could potentially impose notice requirements or limit the Company's ability to withdraw capital above the required minimum amounts (excess capital) whether through distribution or loan. CCFESA is regulated by the ACPR and subject to certain minimum levels of capital. CCFEL was regulated by the CBI and had to maintain certain minimum levels of capital. As of December 31, 2022, CCFEL no longer carries out regulatory activity. See note 25.

## Shares Outstanding of Stockholders' Equity of the Company

The following table summarizes share transactions that occurred in stockholders' equity during the years ended December 31, 2022, 2021, and 2020.

### ROLLFORWARD OF SHARES OUTSTANDING OF COHEN & COMPANY INC.

	Common Stock	Restricted Stock	Total
December 31, 2019 (1)	1,119,909	73,715	1,193,624
Issuance of shares	-	-	-
Issuance as equity-based compensation	-	268,129	268,129
Vesting of shares	55,278	(55,278)	-
Shares withheld for employee taxes	(15,043)	-	(15,043)
Forfeiture / cancellation of restricted stock	-	-	-
Repurchase and retirement of common stock	(121,181)	-	(121,181)
December 31, 2020 (1)	1,038,963	286,566	1,325,529
Issuance of shares	300,859	-	300,859
Issuance as equity-based compensation	-	142,376	142,376
Vesting of shares	62,649	(62,649)	-
Shares withheld for employee taxes	(21,777)	-	(21,777)
Forfeiture / cancellation of restricted stock	-	-	-
Repurchase and retirement of common stock	(49,544)	-	(49,544)
December 31, 2021 (1)	1,331,150	366,293	1,697,443
Issuance of shares	-	-	-
Issuance as equity-based compensation	-	92,400	92,400
Vesting of shares	117,634	(117,634)	-
Shares withheld for employee taxes	(15,501)	-	(15,501)
Forfeiture / cancellation of restricted stock	-	-	-
Repurchase and retirement of common stock	-	-	-
December 31, 2022 (1)	1,433,283	341,059	1,774,342

(1) Excludes remaining restricted units of Cohen & Company Inc. Common Stock. See note 22.

## ***Convertible Non-Controlling Interest***

### *Securities Purchase Agreement – Purchase of IMXI shares*

On December 30, 2019 (the “SPA Effective Date”), the Company entered into a Securities Purchase Agreement (the “SPA”), by and among the Company, the Operating LLC, Daniel G. Cohen, and the DGC Trust.

Pursuant to the SPA, Daniel G. Cohen and the DGC Trust purchased (i) an aggregate of 22,429,541 newly issued units of membership interests in the Operating LLC (collectively, the “LLC Units”) and (ii) 22,429,541 newly issued shares of Series F Preferred Stock. As consideration for this purchase, Daniel G. Cohen and the DGC Trust transferred shares of common stock of International Money Express, Inc. (NASDAQ: IMXI) to the Company. The shares transferred by Daniel Cohen were valued at \$4,351 and the shares transferred by the DGC Trust were valued at \$3,428. The Company accounted for this transaction by recording an increase of \$7,779 in other investments, at fair value and a corresponding increase in the non-controlling interest. Prior to the merger of IMXI with and into a special purpose acquisition company in a transaction that resulted in the listing of IMXI on NASDAQ, Mr. Cohen served as the chief executive officer and member of the board of directors of the special purpose acquisition company.

The SPA contains customary representations and warranties on the part of each of the Operating LLC, the Company, Daniel G. Cohen, and the DGC Trust. The Operating LLC, the Company, Daniel G. Cohen, and the DGC Trust provide customary indemnifications thereunder.

Pursuant to the Amended and Restated Limited Liability Company Agreement of the Operating LLC, dated as of December 16, 2009, as amended (“LLC Agreement”), a holder of units of membership interests in the Operating Agreement, including the LLC Units, may cause the Operating LLC to redeem (each, a “Unit Redemption”) such units at any time for, at the Company’s option, (A) cash or (B) one share of Common Stock for every 10 units of membership interests in the Operating LLC.

However, pursuant to the SPA, Daniel G. Cohen and the DGC Trust agreed that, until the Company’s stockholders approve the Stockholder Proposal (as defined below), they will not cause a Unit Redemption with respect to any portion of the LLC Units if such Unit Redemption would result in the Company issuing a number of shares of Common Stock that, when aggregated with any shares of Common Stock previously issued in connection with any Unit Redemption of the LLC Units equals or exceeds 19.99% of the outstanding Common Stock as of the SPA Effective Date.

Pursuant to the SPA, Daniel G. Cohen and the DGC Trust also agreed to not cause a Unit Redemption with respect to any portion of the Cohen LLC Units if the Company’s board of directors determines that the satisfaction of such Unit Redemption by the Company with shares of Common Stock would jeopardize or endanger the availability to the Company of its net operating loss and net capital loss carryforwards and certain other tax benefits under Section 382 of the Internal Revenue Code of 1986, as amended.

Pursuant to the SPA, at the 2020 annual meeting of the Company’s stockholders, the Company agreed to cause its stockholders to vote on proposals (collectively, the “Stockholder Proposal”) regarding the issuance of all shares of Common Stock issuable in connection with a redemption of the LLC Units for purposes of Section 713 of the NYSE American’s Company Guide. Further, the Company’s board of directors must recommend to the Company’s stockholders that such stockholders approve the Stockholder Proposal and may not modify or withdraw such resolution. The Stockholder Proposal was approved at the Company’s 2020 annual meeting.



In addition, effective as of the SPA Effective Date, if the Company owns a number of units of membership interests in the Operating LLC representing less than a majority of the votes entitled to be cast at any meeting or any other circumstances upon which a vote, agreement, consent (including unanimous written consents) or other approval is sought from the holders of units of membership interests in the Operating LLC (each, a “Meeting”), then for so long as the Company owns a number of units of membership interests in the Operating LLC representing less than a majority of the votes entitled to be cast at any Meeting, Daniel G. Cohen and the DGC Trust have agreed to grant a voting proxy to the Company pursuant to which the Company may vote at any Meeting the number of units of membership interests in the Operating LLC owned by Daniel G. Cohen and the DGC Trust necessary to give the Company a majority of the votes at such Meeting. On September 25, 2020, the SPA was amended to provide that the voting proxy shall be revoked in the event that Daniel G. Cohen and/or his affiliates cease to beneficially own a majority of the voting securities of the Company. See notes 21 and 31.

#### *Future Conversion / Redemption of Operating LLC Units*

Each Operating LLC unit of membership interest is redeemable at the member’s option, at any time, for (i) cash in an amount equal to the average of the per share closing prices of the Common Stock for the ten consecutive trading days immediately preceding the date the Company receives the holder’s redemption notice, or (ii) at the Company’s option, for one share of the Common Stock for every 10 units subject, in each case, to appropriate adjustment upon the occurrence of an issuance of additional shares of the Common Stock as a dividend or other distribution on the Company’s outstanding Common Stock, or a further subdivision or combination of the outstanding shares of the Common Stock.

#### *Unit Issuance and Surrender Agreement — Acquisition and Surrender of Additional Units of the Operating LLC, net*

Effective January 1, 2011 and revised effective May 27, 2021, Cohen & Company Inc. and the Operating LLC entered into a Unit Issuance and Surrender Agreement (the “UIS Agreement”) that was approved by the board of directors of Cohen & Company Inc. and the board of managers of the Operating LLC. In an effort to maintain a 1:10 ratio of Common Stock to the number of units of membership interests Cohen & Company Inc. holds in the Operating LLC, the UIS Agreement calls for the issuance of additional units of membership interests of the Operating LLC to Cohen & Company Inc. when the Cohen & Company Inc. issues its Common Stock to employees under existing equity compensation plans or issues its Common Stock in a public or private offering. In certain cases, the UIS Agreement calls for Cohen & Company Inc. to surrender units to the Operating LLC when certain restricted shares are forfeited by the employee or repurchased by the Company.

The following table summarizes the transactions that resulted in changes in the unit ownership of the Operating LLC including unit issuances and forfeitures related to the UIS agreement.

#### ROLLFORWARD OF UNITS OUTSTANDING OF THE OPERATING LLC

	Cohen & Company Inc.	Daniel G. Cohen	DGC Trust	Others	Total
December 31, 2019	11,199,084	17,801,275	9,880,268	72,088	38,952,715
Issuance of Units under UIS, net	402,350	-	-	-	402,350
Issuance of Units as equity compensation	-	-	-	-	-
Vesting of units	-	275,000	-	-	275,000
Repurchase and retirement of Common Stock	(1,211,810)	-	-	-	(1,211,810)
December 31, 2020	10,389,624	18,076,275	9,880,268	72,088	38,418,255
Issuance of Units under UIS, net	3,417,310	-	-	-	3,417,310
Issuance of Units as equity compensation	-	-	-	-	-
Vesting of units	-	529,040	-	10	529,050
Repurchase and retirement of Common Stock	(495,440)	-	-	-	(495,440)
December 31, 2021	13,311,494	18,605,315	9,880,268	72,098	41,869,175
Issuance of Units under UIS, net	1,021,330	-	-	-	1,021,330
Issuance of Units as equity compensation	-	-	-	-	-
Vesting of units	-	751,540	-	-	751,540
Issuance of units under 2017 Convertible Note	-	-	10,344,827	-	10,344,827
December 31, 2022	14,332,824	19,356,855	20,225,095	72,098	53,986,872



The following table presents the impact to equity from Cohen & Company Inc.'s ownership interest in the Operating LLC.

	For the Year Ended December 31,		
	2022	2021	2020
Net income / (loss) attributable to Cohen & Company Inc.	\$ (13,389)	\$ 11,808	\$ 14,205
Transfers (to) from the non-controlling interest:			
Increase / (decrease) in Cohen & Company Inc.'s paid in capital for the acquisition / (surrender) of additional units in consolidated subsidiary, net	(338)	(1,929)	(1,765)
Changes from net income / (loss) attributable to Cohen & Company Inc. and transfers (to) from non-controlling interest	<u>\$ (13,727)</u>	<u>\$ 9,879</u>	<u>\$ 12,440</u>

**Detail of Non-Controlling Interest**

ROLLFORWARD OF NON-CONTROLLING INTERESTS  
(Dollars in Thousands)

	Operating LLC	Insurance SPAC Sponsor Entities	Insurance SPAC II Sponsor Entities	Insurance SPAC III Sponsor Entities	Other Consolidated Subsidiaries	Total
December 31, 2019	\$ 13,175	\$ 2,262	\$ -	\$ -	\$ -	\$ 15,437
Non-controlling interest share of (loss)	14,200	9,328	(262)	(16)	998	24,248
Other comprehensive income	103	-	-	-	-	103
Acquisition / (surrender) of additional units of consolidated subsidiary	1,706	-	-	-	-	1,706
Equity-based compensation	613	11,700	-	-	-	12,313
Shares withheld for employee taxes	(39)	-	-	-	-	(39)
Dividends/distributions to convertible non-controlling interest	(35)	-	-	-	-	(35)
Non-convertible non-controlling interest investment	-	-	4,557	5,432	3,500	13,489
Non-convertible non-controlling interest distributions	-	(6,604)	-	-	(3,090)	(9,694)
December 31, 2020	\$ 29,723	\$ 16,686	\$ 4,295	\$ 5,416	\$ 1,408	\$ 57,528
Non-controlling interest share of (loss)	26,656	3,560	17,644	(615)	14,985	62,230
Other comprehensive income	(170)	-	-	-	-	(170)
Acquisition / (surrender) of additional units of consolidated subsidiary	1,939	-	-	-	-	1,939
Equity-based compensation	1,859	-	13,068	-	-	14,927
Shares withheld for employee taxes	(276)	-	-	-	-	(276)
Dividends/distributions to convertible non-controlling interest	(2,103)	-	-	-	-	(2,103)
Non-convertible non-controlling interest investment	-	-	-	7	17,088	17,095
Non-convertible non-controlling interest distributions	-	(20,246)	(35,007)	-	(6,425)	(61,678)
December 31, 2021	\$ 57,628	\$ -	\$ -	\$ 4,808	\$ 27,056	\$ 89,492
Non-controlling interest share of (loss)	(22,078)	-	-	(4,808)	(18,395)	(45,281)
Other comprehensive income	(152)	-	-	-	-	(152)
Acquisition / (surrender) of additional units of consolidated subsidiary	334	-	-	-	-	334
Equity-based compensation	3,181	-	-	-	-	3,181
Shares withheld for employee taxes	(158)	-	-	-	-	(158)
Dividends/distributions to convertible non-controlling interest	(6,485)	-	-	-	-	(6,485)
Convertible non-controlling interest investment	15,000	-	-	-	-	15,000
Non-convertible non-controlling interest investment	-	-	-	-	9	9
Non-convertible non-controlling interest distributions	-	-	-	-	(8,653)	(8,653)
December 31, 2022	<u>\$ 47,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 47,287</u>

## 22. EQUITY-BASED COMPENSATION

The following table summarizes the amounts the Company recognized as equity-based compensation expense including restricted stock, restricted units, membership units of consolidated sponsor entities and stock options. These amounts are included as a component of compensation and benefits in the consolidated statements of operations. The remaining unrecognized compensation expense related to unvested awards at December 31, 2022 was \$13,783 and the weighted average period of time over which this expense will be recognized is approximately 2.26 years.

### EQUITY-BASED COMPENSATION INCLUDED IN COMPENSATION AND BENEFITS (Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Equity based compensation expense	\$ 4,390	\$ 15,718	\$ 12,553
Non equity-based compensation expense	45,900	69,330	47,349
Total compensation and benefits	<u>\$ 50,290</u>	<u>\$ 85,048</u>	<u>\$ 59,902</u>

The following table summarizes the equity-based compensation by plan. Each plan is discussed in detail below.

### DETAIL OF EQUITY-BASED COMPENSATION BY PLAN (Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Restricted Stock or Units - 2006/2010 Plans	\$ 21	\$ 291	\$ 635
Restricted Stock or Units - 2020 Plan	4,369	2,359	218
Membership interests in consolidated sponsor entities	-	13,068	11,700
Total equity-based compensation expense	<u>\$ 4,390</u>	<u>\$ 15,718</u>	<u>\$ 12,553</u>

#### *The Company's 2020 Long-Term Incentive Plan – Restricted Common Stock, Restricted Units and Stock Options*

On April 7, 2020, the board of directors of the Company adopted the 2020 Long-Term Incentive Plan (the "2020 Long Term Incentive Plan"), which was approved by the Company's stockholders at the Company's annual meeting on June 18, 2020. On April 1, 2021 and June 9, 2021, the board of directors and the Company stockholders, respectively, approved Amendment No. 1 to the 2020 Long-Term Incentive Plan, which increased the maximum number of shares of common stock available for issuance under the 2020 Long-Term Incentive Plan from 600,000 shares of common stock to 1,200,000 shares of common stock. On March 28, 2022 and June 2, 2022, the board of directors and the Company stockholders, respectively, approved Amendment No. 2, which increased, the maximum number of shares of common stock available for issuance under the 2020 Long-Term Incentive Plan, as amended, from 1,200,000 shares of common stock to 1,900,000 shares of common stock. As of December 31, 2022, 761,324 shares remain available to be issued under the Company's 2020 Long-term Incentive Plan. No award may be granted under the 2020 Long Term Incentive Plan after April 7, 2030.

The Company's 2010 Long-Term-Incentive Plan and the AFN 2006 Equity Plan expired in 2020 and there are no shares available to be issued under these plans.

#### *Membership Interests of Consolidated Sponsor Entities*

Employees sometimes invest in the membership interests of consolidated SPAC sponsor entities. Because these entities are consolidated and the employees are investing in the consolidated company's non-controlling interest, these equity interests fall under FASB ASC 718. Generally, the employee invests a de-minimus amount and receives an allocation of the founder shares held by the sponsor entity. The investment generally does not have any explicit vesting criteria associated with it. Generally, the employee's investment will be worthless if the SPAC in which the sponsor entity has invested is liquidated and it will become worth something if the SPAC completes its business combination. Therefore, the Company treats these grants as having a performance condition (i.e. the completion of the SPAC business combination). Further, at the time of the investments, the Company treats this performance condition as being non-probable. The effect of this is that the Company records no expense related to these investments until (and only if) the business combination is completed. Upon completion of the business combination, the Company records compensation expense in an amount equal to the fair value of the grant. The fair value of the grant is equal to the public trading price of the SPAC on the grant date adjusted for certain sale restrictions imposed on the shares the employee receives (generally, the shares are restricted for sale for some time period and subject to certain hurdle prices before they become freely tradeable).

RESTRICTED STOCK - SERVICE BASED VESTING

	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Unvested at January 1, 2020	73,715	\$ 9.22
Granted	268,129	14.65
Vested	(55,278)	9.63
Unvested at December 31, 2020	286,566	14.23
Granted	142,376	17.94
Vested	(62,649)	7.59
Unvested at December 31, 2021	366,293	16.80
Granted	92,400	11.13
Vested	(117,634)	14.08
Unvested at December 31, 2022	341,059	16.17

OPERATING LLC RESTRICTED UNITS - SERVICE BASED VESTING

	Number of Restricted Units	Weighted Average Grant Date Fair Value
Unvested at January 1, 2020	550,000	\$ 0.80
Granted	2,508,080	1.54
Vested	(275,000)	0.80
Forfeited	-	-
December 31, 2020	2,783,080	1.46
Granted	4,617,000	2.07
Vested	(529,050)	0.62
Forfeited	-	-
Unvested at December 31, 2021	6,871,030	1.93
Granted	422,000	0.85
Vested	(751,540)	1.35
Forfeited	-	-
Unvested at December 31, 2022	6,541,490	\$ 1.93

During the years ended December 31, 2022, 2021, and 2020, the total fair value of all equity awards vested in each year based on the fair market value of the Common Stock on the vesting date was \$2,852, \$1,999, and \$290, respectively.

The restricted shares and restricted units of Common Stock typically may vest either quarterly, annually, or at the end of a specified term on a straight-line basis over the remaining term of the awards, assuming the recipient is continuing in service to the Company at such date, and, in the case of performance-based equity awards, the performance thresholds have been attained. In the case of director grants, the equity awards have no performance or service conditions. In the cases of graded vesting, the Company typically expenses the grant on a straight-line basis if only service conditions are present but expenses on a graded basis if performance-based conditions are present.

## SPONSOR ENTITY MEMBERSHIP UNITS - PERFORMANCE BASED VESTING

	Membership Units	Weighted Average Grant Date Fair Value
Unvested at January 1, 2020	1,263,000	\$ 9.95
Granted	3,272,500	9.98
Vested	(1,175,339)	9.95
Forfeited	(87,661)	9.95
December 31, 2020	3,272,500	9.98
Granted	-	-
Vested	(1,309,000)	9.99
Forfeited	(231,000)	9.99
Unvested at December 31, 2021	1,732,500	9.97
Granted	-	-
Vested	-	-
Forfeited	(1,732,500)	9.97
Unvested at December 31, 2022	-	\$ -

During the years ended December 31, 2022, 2021, and 2020, the total fair value of all equity awards vested in each year based on the fair market value of the membership units on the vesting date was \$0, \$23,527, and \$13,361, respectively.

## 23. INCOME TAXES

Cohen & Company Inc. is treated as a C corporation for United States federal income tax purposes. The components of income tax expense (benefit) included in the consolidated statements of operations for each year presented herein are shown in the table below.

### INCOME TAX EXPENSE (Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
<b>Current income tax expense (benefit)</b>			
Federal income tax expense (benefit)	\$ -	\$ -	\$ -
Foreign income tax expense (benefit)	198	188	122
State and local income tax expense (benefit)	17	387	86
	<u>215</u>	<u>575</u>	<u>208</u>
<b>Deferred income tax expense (benefit)</b>			
Federal income tax expense (benefit)	4,634	(530)	(7,430)
Foreign income tax expense (benefit)	-	-	-
State and local income tax expense (benefit)	(55)	(3,586)	(1,447)
	<u>4,579</u>	<u>(4,116)</u>	<u>(8,877)</u>
<b>Total</b>	<u><u>4,794</u></u>	<u><u>(3,541)</u></u>	<u><u>(8,669)</u></u>

The components of income (loss) before income taxes are shown below.

### INCOME (LOSS) BEFORE INCOME TAXES (Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Domestic	\$ (54,749)	\$ 69,791	\$ 30,317
Foreign	873	706	(533)
<b>Total</b>	<u><u>\$ (53,876)</u></u>	<u><u>\$ 70,497</u></u>	<u><u>\$ 29,784</u></u>

The Company had no prepaid taxes in the consolidated balance sheet as of December 31, 2022 and 2021.

The expected income tax expense /(benefit) using the federal statutory rate differs from income tax expense / (benefit) pertaining to pre-tax income / (loss) as a result of the following for the years ended December 31, 2022, 2021, and 2020.

INCOME TAX RATE RECONCILIATION  
(Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Federal statutory rate	\$ (11,314)	\$ 14,804	\$ 6,255
Pass thru impact	9,509	(13,068)	(5,092)
Deferred tax valuation allowance and other	6,439	(2,267)	(8,593)
State and local tax	143	(3,197)	(1,361)
Foreign tax	17	187	122
Total	<u>\$ 4,794</u>	<u>\$ (3,541)</u>	<u>\$ (8,669)</u>

Deferred tax assets and liabilities are determined based on the difference between the book basis and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized.

The components of the net deferred tax asset (liability) are as follows.

DEFERRED TAX ASSET AND LIABILITY  
(Dollars in Thousands)

	As of December 31, 2022			As of December 31, 2021		
	Asset	Liability	Net	Asset	Liability	Net
Federal net operating loss carry-forward	\$ 20,160	\$ -	\$ 20,160	\$ 19,678	\$ -	\$ 19,678
State and local net operating loss carry-forward	5,460	-	5,460	5,932	-	5,932
Federal capital loss carry-forward	14,796	-	14,796	17,192	-	17,192
Unrealized gain on debt	-	(6,505)	(6,505)	-	(5,679)	(5,679)
Investment in Operating LLC	13,682	-	13,682	10,353	-	10,353
Other	998	(227)	771	1,045	(1,283)	(238)
Gross deferred tax asset / (liability)	55,096	(6,732)	48,364	54,200	(6,962)	47,238
Less: valuation allowance	(41,430)	-	(41,430)	(35,725)	-	(35,725)
Net deferred tax asset / (liability)	<u>\$ 13,666</u>	<u>\$ (6,732)</u>	<u>\$ 6,934</u>	<u>\$ 18,475</u>	<u>\$ (6,962)</u>	<u>\$ 11,513</u>

As of December 31, 2022, the Company had a federal net operating loss (“NOL”) of approximately \$96,002, which will be available to offset future taxable income, subject to limitations described below. If not used, this NOL will begin to expire in 2028. The Company also had net capital losses (“NCLs”) in excess of capital gains of \$70,457 as of December 31, 2022, which can be carried forward to offset future capital gains, subject to the limitations described below. If not used, this carryforward will begin to expire in 2023. No assurance can be made that the Company will have future taxable income or future capital gains to benefit from its NOL and NCL carryovers.

The Company has determined that its NOL and NCL carryovers are not currently limited by Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). However, the Company may experience an ownership change as defined in that section (“Ownership Change”) in the future. If an Ownership Change were to occur in the future, the Company’s ability to use its NOLs, NCLs, and certain recognized built-in losses to reduce its taxable income in a future year would generally be limited to an annual amount (the “Section 382 Limitation”) equal to the fair value of the Company immediately prior to the Ownership Change multiplied by the “long term tax-exempt interest rate.” In the event of an Ownership Change, NOLs and NCLs that exceed the Section 382 Limitation in any year will continue to be allowed as carryforwards for the remainder of the carryforward period, and such NOLs and NCLs can be used to offset taxable income for years within the carryforward period subject to the Section 382 Limitation in each year. However, if the carryforward period for any NOL or NCL were to expire before that loss is fully utilized, the unused portion of that loss would be lost. See discussion of stockholder rights plan in note 21.

Notwithstanding the facts that the Company has determined that the use of its remaining NOL and NCL carryforwards are not currently limited by Section 382 of the Code, the Company recorded a valuation allowance for a substantial portion of its NOLs and NCLs when calculating its net deferred tax liability as of December 31, 2022.

Each reporting period, management determines the expected amount of taxable income it will generate in each jurisdiction where the Company has NOLs. Management then schedules this income against each carryforward asset and determines what portion of the asset it believes is more likely than not to be realized. This determination is subjective and subject to many assumptions and factors including: profitability of the Company's business in the future, the timing of that future income as compared to carryforward asset expiration, the character of future income (ordinary or capital), and the jurisdiction the income will be generated in. To the extent management's determination changes, an adjustment will be made to the valuation allowance resulting in deferred tax expense or benefit. The Company recorded deferred tax benefit in 2020 and 2021 because expectations of future income increased and the Company reduced the valuation allowance it had applied against carryforward assets. The Company recorded deferred tax expense in 2022 because expectations of future income decreased and the Company increased the valuation allowance it had applied against carryforward assets. Because of magnitude of the Company's carryforward assets as well as the volatility of the Company's operating results, significant adjustments to the valuation allowance are likely going forward. These future adjustments will likewise result in material amounts of deferred tax benefit or expense going forward.

The Company files tax returns in the U.S. federal jurisdiction, various states or local jurisdictions, the United Kingdom, Ireland, and France. With few exceptions, the Company is no longer subject to examination for years prior to 2017.

The Company applies ASC 740-10 in determining uncertain tax positions. The Company has evaluated its tax positions under this criteria and has determined that as of December 31, 2022 and 2021 it has not taken any material uncertain tax positions that would require adjustment to the financial statements.



## 24. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The following table shows the components of other comprehensive income / (loss) and the tax effects allocated to other comprehensive income / (loss). Accumulated OCI consists solely of foreign currency items.

### ACCUMULATED OTHER COMPREHENSIVE INCOME / (LOSS) AND INCOME TAX EFFECT OF ITEMS ALLOCATED TO OTHER COMPREHENSIVE INCOME / (LOSS)

(Dollars in Thousands)

	OCI Items	Tax Effect	Total
December 31, 2019	\$ (915)	\$ -	\$ (915)
Change in foreign currency items	35	-	35
Other comprehensive income / (loss), net	35	-	35
Acquisition / (surrender) of additional units in consolidated subsidiary, net	59	-	59
December 31, 2020	(821)	-	(821)
Change in foreign currency items	(74)	-	(74)
Other comprehensive income / (loss), net	(74)	-	(74)
Acquisition / (surrender) of additional units in consolidated subsidiary, net	(10)	-	(10)
December 31, 2021	(905)	-	(905)
Change in foreign currency items	(54)	-	(54)
Other comprehensive income / (loss), net	(54)	-	(54)
Acquisition / (surrender) of additional units in consolidated subsidiary, net	4	-	4
December 31, 2022	\$ (955)	\$ -	\$ (955)

## 25. NET CAPITAL REQUIREMENTS

JVB is subject to the net capital provision of Rule 15c3-1 under the Exchange Act, which requires the maintenance of minimum net capital, as defined therein.

CCFESA, a subsidiary of the Company, is regulated by the ACPR in France. CCFESA is subject to certain regulatory capital requirements in accordance with Articles L.533-2 *et seq.* of the French Financial and Monetary Code, implementing the new framework set out in the Investment Firm Regulation ("IFR") and the Investment Firm Directive ("IFD").

CCFEL cancelled its license with the CBI effective April 7, 2022.

CCFL cancelled its FCA license on November 25 2020; therefore it was not subject to a minimum liquid capital requirement as of December 31, 2020.

The following tables shows the actual net capital (in the case of the JVB) and actual net liquid capital (in the case of CCFESA and CCFEL) as compared to the required amounts for the periods indicated.

### STATUTORY NET CAPITAL REQUIREMENTS (Dollars in thousands)

	As of December 31, 2022		
	Actual Net Capital or Liquid Capital	Amount Required	Excess
JVB	\$ 46,518	\$ 250	\$ 46,268
CCFESA	1,588	512	1,076
Total	<u>\$ 48,106</u>	<u>\$ 762</u>	<u>\$ 47,344</u>

  

	As of December 31, 2021		
	Actual Net Capital or Liquid Capital	Amount Required	Excess
JVB	\$ 73,999	\$ 250	\$ 73,749
CCFESA	1,117	543	574
CCFEL	1,700	895	805
Total	<u>\$ 76,816</u>	<u>\$ 1,688</u>	<u>\$ 75,128</u>

## 26. EARNINGS / (LOSS) PER COMMON SHARE

The following table presents a reconciliation of basic and diluted earnings / (loss) per common share for the periods indicated.

### EARNINGS / (LOSS) PER COMMON SHARE (Dollars in Thousands, except share or per share information)

	Year Ended December 31,		
	2022	2021	2020
Net income / (loss) attributable to Cohen & Company Inc.	\$ (13,389)	\$ 11,808	\$ 14,205
Add/ (deduct): Income / (loss) attributable to non-controlling interest attributable to Operating LLC membership (1)	-	26,656	14,200
Add: Interest expense incurred on dilutive convertible notes	-	1,183	1,162
Add / (deduct): Adjustment (2)	-	1,719	9,452
Net income / (loss) on a fully converted basis	<u>\$ (13,389)</u>	<u>\$ 41,366</u>	<u>\$ 39,019</u>
Weighted average common shares outstanding - Basic	1,420,383	1,187,029	1,131,085
Unrestricted Operating LLC units of membership interests exchangeable into Cohen & Company Inc. shares (1)	-	2,851,358	2,800,597
Restricted Units or shares	-	212,055	124,922
Shares issuable upon conversion of dilutive convertible notes	-	1,034,483	1,034,483
Weighted average common shares outstanding - Diluted	<u>1,420,383</u>	<u>5,284,925</u>	<u>5,091,087</u>
Net income / (loss) per common share - Basic	\$ (9.43)	\$ 9.95	\$ 12.56
Net income / (loss) per common share - Diluted (3)	\$ (9.43)	\$ 7.83	\$ 7.66

- (1) The Operating LLC units of membership interests not held by Cohen & Company Inc. (that is, those held by the non-controlling interest) may be redeemed and exchanged into shares of the Company on a ten-for-one basis. The Operating LLC units of membership interests not held by Cohen & Company Inc. are redeemable, at the member's option at any time, for (i) cash in an amount equal to the average of the per share closing prices of the Common Stock for the ten consecutive trading days immediately preceding the date the Company receives the member's redemption notice, or (ii) at the Company's option, one tenth of a share of the Common Stock, subject, in each case, to appropriate adjustment upon the occurrence of an issuance of additional shares of the Common Stock as a dividend or other distribution on the outstanding Common Stock, or a further subdivision or combination of the outstanding shares of the Common Stock. These units are not included in the computation of basic earnings per share. These units enter into the computation of diluted net income (loss) per common share when the effect is not anti-dilutive using the if-converted method.
- (2) An adjustment is included because the Company would have incurred a higher income tax expense or realized a higher income tax benefit if the Operating LLC units of membership interests had been converted at the beginning of the period.
- (3) Potentially diluted securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	Year Ended December 31,		
	2022	2021	2020
2017 Convertible Note	224,138	-	-
Restricted Common Stock	18,182	-	-
Restricted Operating LLC units	3,735,004	-	-
	<u>3,977,324</u>	<u>-</u>	<u>-</u>

## **27. RESERVE REQUIREMENTS**

As of December 31, 2022 and 2021, JVB claimed exemptions to the reserve requirements under Rule 15c3-3 of the Securities Exchange Act of 1934 under two separate exemptions. First, JVB does not carry securities accounts for its customers or perform custodial functions relating to customer securities and, therefore, qualifies for an exemption under Rule 15c3-3(k)(2)(ii). Second, JVB qualifies for an exemption under Footnote 74 of the SEC Release No. 34-70073 because it limits its business activities to certain activities allowed under this exemption and it does not hold customer funds or securities, carry customer accounts, and does not carry PAB accounts.

## 28. COMMITMENTS AND CONTINGENCIES

### *Lease Commitments*

The Company leases office space in several cities under agreements. As of December 31, 2022, future minimum commitments under these operating leases are as follows.

#### FUTURE LEASE COMMITMENTS (Dollars in Thousands)

	Lease	Less: Sublease	Net Commitment
2023	\$ 2,694	\$ (51)	\$ 2,643
2024	2,165	-	2,165
2025	1,794	-	1,794
2026	1,507	-	1,507
2027	1,515	-	1,515
2028 and thereafter	2,247	-	2,247
	<u>\$ 11,922</u>	<u>\$ (51)</u>	<u>\$ 11,871</u>

Rent expense for the years ended December 31, 2022, 2021, and 2020 was \$2,522, \$1,639, and \$1,521, respectively, and was included in business development, occupancy, equipment expense in the consolidated statements of operations. Rent expense was recorded net of sublease income of \$102, \$178, and \$318 for the years ended December 31, 2022, 2021 and 2020, respectively. The lease commitments noted above represent the actual cash commitments and will not necessarily match the amount of rent expense recorded in the consolidated statements of operations.

#### *Legal and Regulatory Proceedings*

On October 8, 2021, Cohen & Company, Ltd., an Ohio limited liability company, as plaintiff, filed a complaint with the United States District Court, Eastern District of Pennsylvania, under the caption *Cohen & Company, Ltd. v. Cohen & Company Inc.*, alleging that Cohen & Company Inc., as defendant, has been using the “Cohen & Company” trademark and business name, which allegedly infringes and unfairly competes with the plaintiff’s registered trademarks “Cohen & Company” and “Cohen & Co,” in violation of applicable federal and state trademark laws and regulations. Pursuant to the complaint, the plaintiff has demanded that the defendant be permanently enjoined from using the “Cohen & Company” trademark and business name in connection with its business, pay to the plaintiff statutory damages, attorneys’ fees and costs and other damages, and pay over to plaintiff all gains, profits and advantages realized by the defendant from its allegedly unlawful acts and omissions. The Company filed a partial motion on April 18, 2022, and on October 6, 2022, the Court granted the Company’s motion and dismissed the plaintiff’s counterfeiting claim with prejudice. On October 27, 2022, the parties executed a confidential settlement agreement and all the plaintiff’s claims were dismissed with prejudice on October 31, 2022, ending the case. Other than legal fees incurred which are included in these financial statements, the Company did not incur a loss related to this case.

From time to time, the Company is a party to various routine legal proceedings, claims, and regulatory inquiries arising out of the ordinary course of the Company’s business. Management believes that the results of these routine legal proceedings, claims, and regulatory matters will not have a material adverse effect on the Company’s financial condition, or on the Company’s operations and cash flows. However, the Company cannot estimate the legal fees and expenses to be incurred in connection with these routine matters and, therefore, is unable to determine whether these future legal fees and expenses will have a material impact on the Company’s operations and cash flows. It is the Company’s policy to expense legal and other fees as incurred.

## 29. SEGMENT AND GEOGRAPHIC INFORMATION

### Segment Information

The Company operates within three business segments: Capital Markets, Asset Management, and Principal Investing. See note 1.

The Company's business segment information was prepared using the following methodologies and generally represents the information that is relied upon by management in its decision-making processes.

(a) Revenues and expenses directly associated with each business segment are included in determining net income / (loss) by segment.

(b) Indirect expenses (such as general and administrative expenses including executive and indirect overhead costs) not directly associated with specific business segments are not allocated to the business segments' statements of operations.

Accordingly, the Company presents segment information consistent with internal management reporting. See note (1) in the table below for more detail on unallocated items. The following tables present the financial information for the Company's segments for the periods indicated.

#### SEGMENT INFORMATION Statement of Operations Information For the Year Ended December 31, 2022 (Dollars in Thousands)

	Capital Markets	Asset Management	Principal Investing	Segment Total	Unallocated (1)	Total
Net trading	\$ 40,009	\$ -	\$ -	\$ 40,009	\$ -	\$ 40,009
Asset management	-	9,004	-	9,004	-	9,004
New issue and advisory	24,721	-	-	24,721	-	24,721
Principal transactions and other income	2	854	(30,203)	(29,347)	-	(29,347)
Total revenues	64,732	9,858	(30,203)	44,387	-	44,387
Compensation and benefits	32,434	7,612	1,086	41,132	9,158	50,290
Other operating expense	14,539	2,173	728	17,440	4,620	22,060
Total operating expenses	46,973	9,785	1,814	58,572	13,778	72,350
Operating income / (loss)	17,759	73	(32,017)	(14,185)	(13,778)	(27,963)
Interest income (expense)	(247)	-	-	(247)	(4,735)	(4,982)
Income / (loss) from equity method affiliates	-	-	(20,931)	(20,931)	-	(20,931)
Other non-operating income	-	-	-	-	-	-
Income / (loss) before income taxes	17,512	73	(52,948)	(35,363)	(18,513)	(53,876)
Income tax expense / (benefit)	-	-	-	-	4,794	4,794
Net income / (loss)	17,512	73	(52,948)	(35,363)	(23,307)	(58,670)
Less: Net income (loss) attributable to the non-convertible non-controlling interest of the Operating LLC	-	-	(23,203)	(23,203)	-	(23,203)
Enterprise net income (loss)	17,512	73	(29,745)	(12,160)	(23,307)	(35,467)
Less: Net income (loss) attributable to the convertible non-controlling interest of Cohen & Company Inc.	-	-	-	-	(22,078)	(22,078)
Net income / (loss) attributable to Cohen & Company Inc.	\$ 17,512	\$ 73	\$ (29,745)	\$ (12,160)	\$ (1,229)	\$ (13,389)
Other statement of operations data						
Depreciation and amortization (included in total operating expense)	\$ -	\$ 5	\$ -	\$ 5	\$ 552	\$ 557

SEGMENT INFORMATION  
Statement of Operations Information  
For the Year Ended December 31, 2021  
(Dollars in Thousands)

	Capital Markets	Asset Management	Principal Investing	Segment Total	Unallocated (1)	Total
Net trading	\$ 69,385	\$ -	\$ -	\$ 69,385	\$ -	\$ 69,385
Asset management	-	10,923	-	10,923	-	10,923
New issue and advisory	28,736	-	-	28,736	-	28,736
Principal transactions and other income	(3)	768	36,559	37,324	-	37,324
Total revenues	98,118	11,691	36,559	146,368	-	146,368
Compensation and benefits	42,064	6,630	16,546	65,240	19,808	85,048
Other operating expense	13,914	2,151	387	16,452	5,275	21,727
Total operating expenses	55,978	8,781	16,933	81,692	25,083	106,775
Operating income / (loss)	42,140	2,910	19,626	64,676	(25,083)	39,593
Interest income (expense)	(435)	-	-	(435)	(6,798)	(7,233)
Income / (loss) from equity method affiliates	-	-	36,010	36,010	-	36,010
Other non-operating income	-	-	-	-	2,127	2,127
Income / (loss) before income taxes	41,705	2,910	55,636	100,251	(29,754)	70,497
Income tax expense / (benefit)	-	-	-	-	(3,541)	(3,541)
Net income / (loss)	41,705	2,910	55,636	100,251	(26,213)	74,038
Less: Net income (loss) attributable to the non-convertible non-controlling interest of the Operating LLC	-	1,878	33,696	35,574	-	35,574
Enterprise net income (loss)	41,705	1,032	21,940	64,677	(26,213)	38,464
Less: Net income (loss) attributable to the convertible non-controlling interest of Cohen & Company Inc.	-	-	-	-	26,656	26,656
Net income / (loss) attributable to Cohen & Company Inc.	\$ 41,705	\$ 1,032	\$ 21,940	\$ 64,677	\$ (52,869)	\$ 11,808

Other statement of operations data

Depreciation and amortization (included in total operating expense)	\$ 1	\$ 2	\$ -	\$ 3	\$ 368	\$ 371
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SEGMENT INFORMATION  
Statement of Operations Information  
For the Year Ended December 31, 2020  
(Dollars in Thousands)

	Capital Markets	Asset Management	Principal Investing	Segment Total	Unallocated (1)	Total
Net trading	\$ 73,611	\$ -	\$ -	\$ 73,611	\$ -	\$ 73,611
Asset management	-	8,759	-	8,759	-	8,759
New issue and advisory	2,234	-	-	2,234	-	2,234
Principal transactions and other income	3	639	44,864	45,506	-	45,506
Total revenues	75,848	9,398	44,864	130,110	-	130,110
Salaries/Wages	36,092	5,309	11,700	53,101	6,801	59,902
Other Operating Expense	12,546	2,042	168	14,756	5,241	19,997
Impairment of goodwill	7,883	-	-	7,883	-	7,883
Total operating expenses	56,521	7,351	11,868	75,740	12,042	87,782
Operating income / (loss)	19,327	2,047	32,996	54,370	(12,042)	42,328
Interest income (expense)	(997)	-	-	(997)	(8,592)	(9,589)
Income / (loss) from equity method affiliates	-	-	(2,955)	(2,955)	-	(2,955)
Income / (loss) before income taxes	18,330	2,047	30,041	50,418	(20,634)	29,784
Income tax expense / (benefit)	-	-	-	-	(8,669)	(8,669)
Net income / (loss)	18,330	2,047	30,041	50,418	(11,965)	38,453
Less: Net income (loss) attributable to the non-convertible non-controlling interest of the Operating LLC	-	1,408	8,640	10,048	-	10,048
Enterprise net income (loss)	18,330	639	21,401	40,370	(11,965)	28,405
Less: Net income (loss) attributable to the convertible non-controlling interest of Cohen & Company Inc.	-	-	-	-	14,200	14,200
Net income / (loss) attributable to Cohen & Company Inc.	\$ 18,330	\$ 639	\$ 21,401	\$ 40,370	\$ (26,165)	\$ 14,205
Other statement of operations data						
Depreciation and amortization (included in total operating expense)	\$ 18	\$ 3	\$ -	\$ 21	\$ 313	\$ 334

- (1) Unallocated includes certain expenses incurred by indirect overhead and support departments (such as the executive, finance, legal, information technology, human resources, risk, compliance and other similar overhead and support departments). Some of the items not allocated include: (1) operating expenses (such as cash compensation and benefits, equity-based compensation expense, professional fees, travel and entertainment, consulting fees, and rent) related to support departments excluding certain departments that directly support the Capital Markets business segment; (2) interest expense on debt; and (3) income taxes. Management does not consider these items necessary for an understanding of the operating results of these business segments and such amounts are excluded in business segment reporting to the chief operating decision maker.

Balance Sheet Data  
As of December 31, 2022  
(Dollars in Thousands)

	Capital Markets	Asset Management	Principal Investing	Segment Total	Unallocated (1)	Total
Total Assets	\$ 820,238	\$ 5,679	\$ 36,969	\$ 862,886	\$ 24,169	\$ 887,055

Included within total assets:

Investments in equity method affiliates	\$ -	\$ -	\$ 8,929	\$ 8,929	\$ -	\$ 8,929
Goodwill (2)	\$ 54	\$ 55	\$ -	\$ 109	\$ -	\$ 109
Intangible assets (2)	\$ 166	\$ -	\$ -	\$ 166	\$ -	\$ 166

Balance Sheet Data  
As of December 31, 2021  
(Dollars in Thousands)

	Capital Markets	Asset Management	Principal Investing	Segment Total	Unallocated (1)	Total
Total Assets	\$ 3,501,973	\$ 5,251	\$ 104,491	\$ 3,611,715	\$ 44,589	\$ 3,656,304

Included within total assets:

Investments in equity method affiliates	\$ -	\$ -	\$ 48,238	\$ 48,238	\$ -	\$ 48,238
Goodwill (2)	\$ 54	\$ 55	\$ -	\$ 109	\$ -	\$ 109
Intangible assets (2)	\$ 166	\$ -	\$ -	\$ 166	\$ -	\$ 166

- (1) Unallocated assets primarily include (1) amounts due from related parties; (2) furniture and equipment, net; and (3) other assets that are not considered necessary for an understanding of business segment assets and such amounts are excluded in business segment reporting to the chief operating decision maker.
- (2) Goodwill and intangible assets are allocated to the Capital Markets and Asset Management business segments as indicated in the table from above.

*Geographic Information*

The Company has conducted its business activities through offices in the following locations: (1) United States and (2) Europe and other. Total revenues by geographic area are summarized as follows.

GEOGRAPHIC DATA  
(Dollars in Thousands)

	Year Ended December 31,		
	2022	2021	2020
Total Revenues:			
United States	\$ 39,669	\$ 140,420	\$ 125,151
Europe & Other	4,718	5,948	4,959
Total	\$ 44,387	\$ 146,368	\$ 130,110

Long-lived assets attributable to an individual country, other than the United States, are not material.

### 30. SUPPLEMENTAL CASH FLOW DISCLOSURE

Interest paid by the Company on its debt and redeemable financial instruments was \$4,782, \$6,388 and \$8,711 for the years ended December 31, 2022, 2021, and 2020, respectively.

The Company paid income taxes of \$327, \$166, and \$234 for the years ended December 31, 2022, 2021, and 2020, respectively, and received income tax refunds of \$0, \$96, and \$82 for the years ended December 31, 2022, 2021, and 2020, respectively.

In 2022, the Company had the following significant non-cash transactions that are not reflected on the statement of cash flows:

- The Company net surrendered units of membership interests in the Operating LLC. The Company recognized a net decrease in additional paid-in capital of \$338, a net increase of \$4 in AOCI, and an increase of \$334 in non-controlling interest. See note 21.
- The Company recorded a \$15,000 increase in convertible non-controlling interest and a \$15,000 decrease in debt as a result of the DGC Trust election to convert the 2017 Convertible Note into units of membership interest of the Operating LLC.
- The Company recorded a decrease in equity method affiliates of \$20,915 and an increase in other investments, at fair value of \$20,915 resulting from an in-kind distribution from equity method affiliates.
- The Company received equity shares in several public companies in exchange for advisory services. The fair market value of the shares received was \$7,416.
- The Company included this in new issue and advisory revenue in the statement of operations.
- The Company recorded a decrease in other investments, at fair value of \$6,417 and a corresponding decrease in non-controlling interest resulting from in-kind distributions to the non-controlling interest of certain SPAC sponsor entities.
- The Company recorded an increase in other investments, at fair value of \$844 and a corresponding decrease in other investment, not yet purchased of \$844 resulting from an investment reclass.

In 2021, the Company had the following significant non-cash transactions that are not reflected on the statement of cash flows:

- The Company net surrendered units of membership interests in the Operating LLC. The Company recognized a net decrease in additional paid-in capital of \$1,929, a net decrease of \$10 in AOCI, and a net increase of \$1,939 in non-controlling interest. See note 21.
- The Company recorded a decrease of \$2,103 in due from related party, a corresponding increase of \$701 in other investments, at fair value, and a corresponding decrease of \$1,402 to non-controlling interest, all as a result of an in-kind distribution of incremental LP interests, from the 2020 performance fee earned, to all the members of Vellar GP, including the Company.
- The Company recorded a decrease of \$3,958 in investments in equity method affiliates and a \$31,049 decrease in other investments, at fair value and a corresponding decrease in non-controlling interest resulting from an in-kind distribution from Insurance SPAC II.
- The Company recorded a decrease in other investments, at fair value of \$20,119 and a corresponding decrease in non-controlling interest resulting from an in-kind distribution from Insurance SPAC.
- The Company recorded a net decrease in investments in equity method affiliates of \$5,439 and a net increase in other investments, at fair value of \$5,439 resulting from an in-kind distribution from an equity method affiliate.
- The Company recorded a decrease in other investments, at fair value of \$2,415 and a decrease in non-controlling interest of \$2,415 resulting from an in-kind distribution from other consolidated subsidiaries.

In 2020, the Company had the following significant non-cash transactions that are not reflected on the statement of cash flows:

- The Company net surrendered unit of the Operating LLC. The Company recognized a net decrease in additional paid-in capital of \$1,765, a net increase of \$59 in accumulated other comprehensive income, and an increase of \$1,706 in non-controlling interest. See note 21.
- In conjunction with the sale of ViaNova on August 22, 2020, the Company transferred one RTL with a fair value of \$2,243 to JVB. As a result, the Company recorded an increase in other investments, at fair value and corresponding decrease in other assets. See note 20.
- The Company recorded a \$9,694 decrease to other investments, at fair value resulting from noncontrolling interest in-kind distributions.

As part of the Company's matched book repo operations, the Company enters into reverse repos with counterparties whereby it lends money and receives securities as collateral. In accordance with FASB ASC 860, the collateral securities are not recorded in the Company's consolidated balance sheets. However, from time to time the Company will hold cash instead of securities as collateral for these transactions. When the Company is provided cash as collateral for reverse repo transactions, the Company will make an entry to increase its cash and cash equivalents and to increase its other liabilities for the amount of cash received. There are two main reasons the Company may receive collateral in the form of cash as opposed to securities. First, when the value of the collateral securities the Company has in its possession declines, the Company will require the counterparty to provide it with additional collateral. The Company will accept either cash or additional liquid securities. Often, the Company's counterparties will provide it with cash as they may not have liquid securities readily available. Second, from time to time, the Company's counterparties require a portion of the collateral securities in the Company's possession returned to them for operating purposes. In such instances, the counterparty may not have substitute liquid securities available and will often provide the Company with cash as collateral instead. It is important to note that when the Company receives cash as collateral, it is temporary in nature and the Company has an obligation to return that cash when the counterparty provides substitute liquid securities as collateral or otherwise satisfies their associated reverse repo obligation. The Company is generally required to return any cash collateral the same business day that it receives substitute securities. See note 11.

The Company has no legal or contractual obligation to segregate this cash collateral held and therefore it is included as a component of its cash and cash equivalents in the Company's consolidated balance sheets. However, it is not available for use in the Company's general operations as the Company must stand ready at all times to return the collateral held immediately once the reverse repo counterparty provides substitute liquid securities or the repo matures.

The following table illustrates the impact of changing collateral deposits had on cash from operations:

	Year Ended December 31,		
	2022	2021	2020
Cash collateral held from repo and or reverse repo counterparties - End of Period	\$ 4,301	\$ 17,320	\$ 41,119
Less: Cash collateral held from repo and or reverse repo counterparties - End of Period	17,320	41,119	9,524
Impact to cash flow from operations	<u>\$ (13,019)</u>	<u>\$ (23,799)</u>	<u>\$ 31,595</u>

### 31. RELATED PARTY TRANSACTIONS

The Company has identified the following related party transactions for the years ended December 31, 2022, 2021, and 2020. The transactions are listed by related party and, unless otherwise noted in the text of the description, the amounts are disclosed in the tables at the end of this section.

#### *A. Daniel G. Cohen/Cohen Bros. Financial, LLC ("CBF")/ EBC 2013 Family Trust ("EBC")*

In December 2019, the Company acquired a 45% interest in CK Capital Partners B.V. ("CK Capital"). The Company purchased this interest for \$18 (of which \$17 was paid to an entity controlled by Daniel G. Cohen). CK Capital is a private company incorporated in the Netherlands and provides asset and investment advisory services relating to real estate holdings. In addition, the Company also acquired a 10% interest in Amerisfoot Office Investment I Cooperatief U.A. ("AOI"), a real estate holding company, for \$1 from entities controlled by Daniel G. Cohen. See note 12.

CBF has been identified as a related party because (i) CBF is a non-controlling interest holder of the Company and (ii) CBF is wholly owned by Daniel G. Cohen. On September 29, 2017, CBF also invested \$8,000 of the initial \$10,000 total investment in the Company's Redeemable Financial Instrument – DGC Trust / CBF pursuant to the CBF Investment Agreement. The Company incurred interest expense on this instrument, which is disclosed as part of interest expense incurred in the table at the end of this section. In March 2021, October 2020 and 2019, payments of \$4,000, \$2,500, and \$1,500, respectively, were made by the Company to CBF, which reduced the redeemable financial instrument balance to zero. See notes 20.

EBC has been identified as a related party because Daniel G. Cohen is a trustee of EBC and has sole voting power with respect to all shares of the Company held by EBC. In September 2013, EBC, as an assignee of CBF, made a \$4,000 investment in the Company. The Company issued \$2,400 in principal amount of the 2013 Convertible Notes and \$1,600 of the Common Stock to EBC. On September 25, 2019, the 2013 Convertible Notes were amended and restated and, subsequent to this amendment, are referred to as the 2019 Senior Notes. On September 25, 2020 the 2019 Senior Notes were amended again to extend their maturity date until September 25, 2021. The Company fully paid and extinguished the 2019 Senior Notes on September 24, 2021. See note 20. The Company incurred interest expense on this debt, which is disclosed as part of interest expense incurred in the table at the end of this section.

#### *B. The Edward E. Cohen IRA*

On August 28, 2015, \$4,386 in principal amount of the 2013 Convertible Notes originally issued to Mead Park Capital in September 2013 was purchased by Pensco Trust Company, Custodian fbo Edward E. Cohen of which Edward E. Cohen is the benefactor. Edward E. Cohen is the father of Daniel G. Cohen. On September 25, 2019, the 2013 Convertible Notes were amended and restated by the 2019 Senior Notes. See note 20 for a description of amendments related to the 2019 Senior Notes and the 2013 Convertible Notes. On February 3, 2020, \$4,386 of the 2019 Senior Notes, representing all the 2019 Senior Notes held by the Pensco Trust Company, Custodian fbo Edward E. Cohen were fully repaid. The Company incurred interest expense on this debt, which is disclosed as part of interest expense incurred in the table at the end of this section.

#### *C. JKD Investor*

The JKD Investor is an entity owned by Jack J. DiMaio, the vice chairman of the board of directors his spouse. On October 3, 2016, JKD Investor invested \$6,000 in the Operating LLC. Additional investments were made in January 2017 and January 2019 in the amounts of \$1,000 and \$1,268, respectively. See notes 19 and 20. The interest expense on this investment is disclosed as part of interest expense incurred in the table at end of this section.

On January 31, 2020, JKD Investor purchased \$2,250 of the 2020 Senior Notes. On January 31, 2022, the Operating LLC and JKD Investor entered into the 2022 Note Purchase Agreement, pursuant to which, among other things, on such date, (i) JKD Investor paid to the Operating LLC an additional \$2,250 and (ii) in consideration for such funds, the Operating LLC issued to JKD Investor the Amended and Restated Note in the aggregate principal amount of \$4,500. See note 20. The Company incurred interest expense on this debt, which is disclosed as part of interest expense incurred in the table at the end of this section.

#### *D. DGC Trust*

DGC Trust has been identified as a related party because Daniel G. Cohen's children are the beneficiaries of the trust and the trust was established by Daniel G. Cohen, Executive Chairman of the Company's board of directors and Executive Chairman of the Operating LLC's board of managers. Daniel G. Cohen does not have any voting or dispositive control of securities held in the interest of the trust.

On December 30, 2019, the DGC Trust contributed 291,480 shares of IMXI common stock with a fair value of \$3,428 to the Operating LLC. In exchange for these shares, the Operating LLC issued to the DGC Trust 9,880,268 newly issued units of membership interests in the Operating LLC and the Company issued to the DGC Trust 9,880,268 shares of newly issued Series F Preferred Stock. The Company included the value of the shares of IMXI common stock in other investments, at fair value. See note 21. In March 2017, the 2017 Convertible Note was issued to the DGC Trust. See note 20. The Company incurred interest expense on the 2017 Convertible Note, which is disclosed as part of interest expense incurred in the table below. On September 29, 2017, the DGC Trust also invested \$2,000 of the initial \$10,000 total investment in the Company's Redeemable Financial Instrument – DGC Trust / CBF pursuant to the DGC Trust Investment Agreement. The Company redeemed the DGC Trust Redeemable Financial Instrument in full by making payment of \$2,000 on September 30, 2020. See notes 19 and 20. Interest incurred on this instrument is disclosed in the table below.

*E. Duane Morris, LLP ("Duane Morris")*

Duane Morris is an international law firm and serves as legal counsel to the Company. Duane Morris is considered a related party because a partner at Duane Morris is a member of the same household as a director of the Company. Expense incurred by the Company for services provided by Duane Morris is included within professional fees and operating expense in the consolidated statements of operations and comprehensive income and are disclosed in the table below.

*F. Cohen Circle, LLC ("Cohen Circle"), formerly Fintech Masala, LLC*

Cohen Circle is a related party because Betsy Cohen, the mother of Daniel G. Cohen, is the chairman of Cohen Circle. Daniel G. Cohen is also a managing member of Cohen Circle. The Company engaged Betsy Cohen, as an agent of Cohen Circle, as a consultant to provide certain services related to the Insurance SPAC. See notes 12. The Company agreed to pay a consultant fee of \$1 per month, which commenced July 1, 2019 and continued through the Insurance SPAC Merger. Betsy Cohen made a \$2 investment in the Insurance SPAC Sponsor Entities in March 2019, which is included as a component of non-controlling interest in the consolidated balance sheet as of December 31, 2020. See note 21. The expense incurred by the Company for the consulting services provided by Cohen Circle are included within professional fees and operating expense in the consolidated income statement and are disclosed in the table below.

The Company engaged Betsy Cohen, as an agent of Cohen Circle, as a consultant to provide certain services related to the Insurance SPAC II. See note 12. The Company agreed to pay a consultant fee of \$1 per month, which commenced on October 1, 2020 and continued through February 2021. Betsy Cohen made a \$1 investment in the Insurance SPAC II Sponsor Entities, which is included as a component of non-controlling interest in the consolidated balance sheet as of December 31, 2020. See note 21. The expense incurred by the Company for the consulting services provided by Cohen Circle is included within professional fees and operating expense in the consolidated income statement and are disclosed in the table below.

The Company engaged Betsy Cohen, as an agent of Cohen Circle, as a consultant to provide certain services related to the Insurance SPAC III. See note 12. The Company agreed to pay a consultant fee of \$1 per month, which commenced on December 1, 2020 and continued through November 18, 2022, the date Insurance SPAC III announced that it would not consummate an initial business combination within the time period required. Betsy Cohen made a \$1 investment in the Insurance SPAC III Sponsor Entities, which is included as a component of non-controlling interest in the consolidated balance sheet as of December 31, 2021. See note 21. The expense incurred by the Company for the consulting services provided by Cohen Circle is included within professional fees and operating expense in the consolidated income statement and are disclosed in the table below.

The Company has a sublease agreement as sub-lessor for certain office space with Cohen Circle. The Company received payments under this sublease agreement which payments are recorded as a reduction in rent and utility expenses. This sublease agreement commenced on August 1, 2018 and has a term that automatically renews for one year periods if not cancelled by either party upon 90 days' notice prior to the end of the then-existing term. The income earned pursuant to this sublease agreement is included as a reduction in rent expense in the consolidated statements of income and is disclosed in the table below.

## G. Investment Vehicle and Other

### *Stoa USA Inc./ FlipOs ("FlipOs")*

FlipOs is a related party because Daniel G. Cohen is a director. As of December 31, 2022, the Company made cumulative investments of \$691 in FlipOs. The fair value of this investment is included in other investments, at fair value on the consolidated balance sheets; any realized and unrealized gains on this investment are included in principle transactions and other income on the consolidated statements of operations and comprehensive income. This amount is included in the table below.

### *CK Capital and AOI*

CK Capital and AOI are related parties as they are equity method investments of the Company. In December 2019, the Company acquired a 45% interest in CK Capital. The Company purchased this interest for \$18 (of which \$17 was paid to an entity controlled by Daniel G. Cohen). In addition, in December 2019, the Company also acquired a 10% interest in AOI, a real estate holding company, for \$1 from entities controlled by Daniel G. Cohen. Income earned, or loss incurred, by the Company on the equity method investments in CK Capital and AOI is included in the tables below. In accordance with the CK Capital shareholders agreement, the Company may receive fees for consulting services provided by the Company to CK Capital. Any fees earned for such consulting services are included in principal transactions and other income in the table below. See Note 12.

### *Insurance SPAC*

Prior to October 13, 2020, the date of the Insurance SPAC Merger, the Insurance SPAC was considered a related party as it was an equity method investment of the Company. The Operating LLC was the manager of the Insurance SPAC Sponsor Entities and the Company consolidated the Insurance SPAC Sponsor Entities. Prior to the Insurance SPAC Merger, the Company owned 26.5% of the equity in the Insurance SPAC. Income earned, or losses incurred, on the equity method investment in the Insurance SPAC is included in the tables below. The Operating LLC and the Insurance SPAC entered into an administrative services agreement, dated March 19, 2019, pursuant to which the Operating LLC and the Insurance SPAC agreed that, commencing on the date that the Insurance SPAC's securities were first listed on the NASDAQ Capital Market through the earlier of the Insurance SPAC's consummation of a business combination and its liquidation, the Insurance SPAC would pay the Operating LLC \$10 per month for certain office space, utilities, secretarial support, and administrative services. Revenue earned by the Company from such administrative services agreement is included as part of principal transactions and other income in the tables below. The Company also agreed to lend the Insurance SPAC \$750 for operating and acquisition related expenses, of which \$650 was borrowed by the Insurance SPAC from the Company. On October 13, 2020, in connection with the Insurance SPAC Merger, the Insurance SPAC made a payment of \$650 to the Company extinguishing the loan balance in full. See notes 12 and 21.

### *Insurance SPAC II*

Prior to February 9, 2021, the date of the Insurance SPAC II Merger, Insurance SPAC II was considered a related party as it was an equity method investment of the Company. The Operating LLC was the manager of the Insurance SPAC II Sponsor Entities and the Company consolidated the Insurance SPAC II Sponsor Entities. Prior to the Insurance SPAC II Merger, the Company owned 46.1% of the equity in Insurance SPAC II. Income earned, or loss incurred, on the equity method investment in Insurance SPAC II is included in the table below. The Operating LLC and the Insurance SPAC II entered into an administrative services agreement, dated September 2, 2020, pursuant to which the Operating LLC and the Insurance SPAC II agreed that, commencing on the date that the Insurance SPAC II's securities were first listed on the NASDAQ Capital Market through the earlier of the Insurance SPAC II's consummation of a business combination and its liquidation, the Insurance SPAC II would pay the Operating LLC \$20 per month for certain office space, utilities, secretarial support, and administrative services. Revenue earned by the Company from such administrative services agreement is included as part of principal transactions and other income in the tables below. The Company also agreed to lend the Insurance SPAC II \$750 for operating and acquisition related expenses as a sponsor of Insurance SPAC II; no amount was borrowed from the Company. See notes 12 and 21.

### *Insurance SPAC III*

Insurance SPAC III is a related party as it was an equity method investment of the Company. The Operating LLC was the manager of the Insurance SPAC III Sponsor Entities and the Company consolidated the Insurance SPAC III Sponsor Entities. On November 18, 2022, Insurance SPAC III announced that, because it will not consummate an initial business combination within the time period required, it would dissolve and liquidate, effective as of the close of business on December 22, 2022. Prior to November 18, 2022, Insurance SPAC III Sponsor Entities owned 47.3% of the equity in Insurance SPAC III Sponsor Entities. Income earned, or loss incurred, on the equity method investment in the Insurance SPAC III is included in the table below. The Operating LLC and the Insurance SPAC III entered into an administrative services agreement, dated December 17, 2020, pursuant to which the Operating LLC and the Insurance SPAC III agreed that, commencing on the date that the Insurance SPAC III's securities were first listed on the NASDAQ Capital Market through the earlier of the Insurance SPAC III's consummation of a business combination and its liquidation, the Insurance SPAC III would pay the Operating LLC \$20 per month for certain office space, utilities, and shared personnel support as may be requested by Insurance SPAC III. Revenue earned by the Company from the administrative services agreement is included as part of principal transactions and other income in the tables below.

The Operating LLC loaned to Insurance SPAC III approximately \$71 to cover IPO expenses, which was repaid in full at the closing of the IPO. Insurance Acquisition Sponsor III and its affiliates, including the Operating LLC, also committed to loan Insurance SPAC III up to \$1,500 to cover operating and acquisition related expenses following the IPO, of which \$960 was borrowed by Insurance SPAC III prior to November 18, 2022. The loans bore no interest and, as the Insurance SPAC III failed to consummate a business combination in the required timeframe, the loans will not be repaid. The write off of the loans is included in equity method loss in 2022. See notes 4 and 12.

In general, a SPAC is initially funded by a sponsor and that sponsor invests in and receives private placement and founder shares of the SPAC. The sponsor may be organized as a single legal entity or multiple entities under common control. In either case, the entity (or entities) is referred in this section as the sponsor of the applicable SPAC. The Company has had the following transactions with various sponsors of SPACs that are related parties, which the Company does not consolidate.

Fintech Acquisition Corp. III ("FTAC III") was a SPAC. The sponsor of FTAC III ("FTAC III Sponsor") is a related party because Daniel G. Cohen was the manager of the FTAC III Sponsor. In December 2018, the Operating LLC entered into an agreement with FTAC III Sponsor whereby the Company would provide certain accounting and administrative services and in exchange the Company received 23,300 founder shares of FTAC III. The revenue earned on this arrangement is disclosed in Principle transactions and other income, SPAC Sponsor Entities in the tables below.

Fintech Acquisition Corp. IV ("FTAC IV") was a SPAC. The sponsor of FTAC IV ("FTAC IV Sponsor") is a related party as it is an equity method investment of the Company. The Company made a sponsor investment in FTAC IV Sponsor, receiving a final allocation of 81,825 founder shares of FTAC IV stock for \$1. In addition, on September 29, 2020, the Operating LLC entered into a letter agreement with FTAC IV Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC IV Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of an additional 24,547 founder shares of FTAC IV stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principle transactions and other income, SPAC Sponsor Entities in the tables below.

Fintech Acquisition Corp. V ("FTAC V") is a SPAC. The sponsor of FTAC V ("FTAC V Sponsor") is a related party as it is an equity method investment of the Company. The Company made a sponsor investment in FTAC V Sponsor, receiving an allocation of 140,000 founder shares. On December 14, 2020, the Operating LLC entered into a letter agreement with FTAC V Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC V Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founder shares of FTAC V stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principle transactions and other income, SPAC Sponsor Entities in the tables below. FTAC V liquidated in 2022.

Fintech Acquisition Corp. VI ("FTAC VI") is a SPAC. The sponsor of FTAC VI ("FTAC VI Sponsor") is a related party as it is an equity method investment of the Company. On June 26, 2021, the Operating LLC entered into a letter agreement with FTAC VI Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC VI Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founder shares of FTAC VI stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principle transactions and other income, SPAC Sponsor Entities in the tables below. FTAC VI liquidated in 2022.

FTAC Olympus Acquisition Corp ("FTAC Olympus") was a SPAC. The sponsor of FTAC Olympus ("FTAC Olympus Sponsor") is a related party as it is an equity method investment of the Company. The Company made a sponsor investment in FTAC Olympus Sponsor, receiving a final allocation of 399,741 founder shares of FTAC Olympus stock. In addition, on September 8, 2020, the Operating LLC entered into a letter agreement with FTAC Olympus Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC Olympus Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of an additional 19,987 founder shares of FTAC Olympus stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principle transactions and other income, SPAC Sponsor Entities in the tables below.

FTAC Athena Acquisition Corp. ("FTAC Athena") is a SPAC. The sponsor of FTAC Athena ("FTAC Athena Sponsor") is a related party as it is an equity method investment of the Company. On February 26, 2021, the Operating LLC entered into a letter agreement with FTAC Athena Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC Olympus Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founder shares of FTAC Athena stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principal transactions and other income, SPAC Sponsor Entities in the tables below.

FTAC Hera Acquisition Corp. ("FTAC Hera") is a SPAC. The sponsor of FTAC Hera ("FTAC Hera Sponsor") is a related party as it is an equity method investment of the Company. On March 5, 2021, the Operating LLC entered into a letter agreement with FTAC Hera Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC Hera Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founder shares of FTAC Hera stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principal transactions and other income, SPAC Sponsor Entities in the tables below.

FTAC Parnassus Acquisition Corp. ("FTAC Parnassus") is a SPAC. The sponsor of FTAC Parnassus ("FTAC Parnassus Sponsor") is a related party as it is an equity method investment of the Company. On March 15, 2021, the Operating LLC entered into a letter agreement with FTAC Parnassus Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC Parnassus Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founder shares of FTAC Parnassus stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principal transactions and other income, SPAC Sponsor Entities in the tables below.



FTAC Zeus Acquisition Corp. ("FTAC Zeus") is a SPAC. The sponsor of FTAC Zeus ("FTAC Zeus Sponsor") is a related party as it is an equity method investment of the Company. On November 24, 2021, the Operating LLC entered into a letter agreement with FTAC Zeus Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC Zeus Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founders shares of FTAC Zeus stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principal transactions and other income, Other SPAC Entities in the tables below.

FTAC Emerald Acquisition Corp. ("FTAC Emerald") is a SPAC. The sponsor of FTAC Emerald ("FTAC Emerald Sponsor") is a related party as it is an equity method investment of the Company. On December 20, 2021, the Operating LLC entered into a letter agreement with FTAC Emerald Sponsor whereby the Operating LLC would provide personnel to serve as the chief financial officer as well as other accounting and administrative services to FTAC Emerald Sponsor for a period not longer than 24 months. As consideration for these services, the Company received an allocation of 35,000 founders shares of FTAC Emerald stock to the Operating LLC and recorded an equity method investment of \$40 for the valuation of these services. The revenue earned on this arrangement is disclosed in Principal transactions and other income, Other SPAC Entities in the tables below.

#### *Other*

The Company invests in sponsor entities of SPACS, either directly or through its interest in the SPAC Series Funds, which are not otherwise affiliated with the Company but are considered related parties because they are accounted for under the equity method. As of December 31, 2022, the Company owned 1.9% of these entities in the aggregate. Income earned or loss incurred on the equity method investment in the SPAC Sponsor Entities is included in the tables below.

#### *SPAC Fund*

The SPAC Fund is considered a related party because it is an equity method investment. The Company has an investment in and a management contract with the SPAC Fund. Income earned or loss incurred on the investment are included as part of principal transactions and other income. Revenue earned on the management contract are included as part of asset management in the table below. As of December 31, 2022, the Company owned .67% of the equity of the SPAC Fund.

#### *U.S. Insurance JV*

U.S. Insurance JV is considered a related party because it is an equity method investment. The Company has an investment in and a management contract with the U.S. Insurance JV. Income earned or loss incurred on the investment are included as part of principal transactions and other income. Revenue earned on the management contract are included as part of asset management in the table below. As of December 31, 2022, the Company owned 2.46% of the equity of the U.S. Insurance JV.

#### *CREO JV*

CREO JV is considered a related party because it is an equity method investment. The Company has an investment in and a management contract with CREO JV. Income earned or loss incurred on the investment are included as part of principal transactions and other income. Revenue earned on the management contract are included as part of asset management in the table below. As of December 31, 2022, the Company owned 7.5% of the equity of CREO JV.

The following tables display the routine transactions recognized in the statements of operations from identified related parties that are described above.

	Related Party Transactions (Dollars in Thousands)		
	For the Years Ended December 31,		
	2022	2021	2020
<b>Asset management</b>			
SPAC Fund	\$ 954	\$ 4,327	\$ 2,406
Other SPAC Entities	-	319	-
U.S. Insurance JV	1,069	525	368
	<u>\$ 2,023</u>	<u>\$ 5,171</u>	<u>\$ 2,774</u>
<b>Principal transactions and other income</b>			
Dutch Real Estate Entities	\$ -	\$ 137	\$ 147
Insurance SPAC	-	-	95
Insurance SPAC II	-	40	80
Insurance SPAC III	220	240	20
FlipOs	4,196	1,805	-
Other SPAC Entities	160	132	23
SPAC Fund	(43)	474	183
U.S. Insurance JV	11	142	222
CREO JV	32	-	-
	<u>\$ 4,576</u>	<u>\$ 2,970</u>	<u>\$ 770</u>
<b>Income (loss) from equity method affiliates</b>			
Dutch Real Estate Entities	\$ (71)	\$ (137)	\$ 639
Insurance SPAC	-	-	(3,138)
Insurance SPAC II	-	(107)	(486)
Insurance SPAC III	(5,896)	(1,200)	(34)
Other SPAC Entities	(14,962)	37,453	63
	<u>\$ (20,929)</u>	<u>\$ 36,009</u>	<u>\$ (2,956)</u>
<b>Operating expense (income)</b>			
Duane Morris	\$ 621	\$ 925	\$ 1,194
Cohen Circle	(66)	(39)	(46)
	<u>\$ 555</u>	<u>\$ 886</u>	<u>\$ 1,148</u>
<b>Interest expense (income)</b>			
CBF	\$ -	\$ 197	\$ 1,191
DGC Trust	327	1,534	1,804
EBC	-	211	289
Edward E. Cohen IRA	-	-	47
JKD Investor	943	1,985	2,131
	<u>\$ 1,270</u>	<u>\$ 3,927</u>	<u>\$ 5,462</u>

The following related party transactions are non-routine and are not included in the tables above.

#### *H. Directors and Employees*

The Company has entered into employment agreements with Daniel G. Cohen, its Executive Chairman, and Joseph W. Pooler, Jr., its Chief Financial Officer. The Company has entered into its standard indemnification agreement with each of its directors and executive officers.

The Company maintains a 401(k)-savings plan covering substantially all its employees. The Company matches 50% of employee contributions for all participants not to exceed 3% of their salary. Contributions made to the plan on behalf of the Company were \$377, \$287, and \$270 for the years ended December 31, 2022, 2021, and 2020, respectively.

The Company leased office space from Zucker and Moore, LLC. Zucker and Moore, LLC is partially owned by Jack DiMaio, Jr., the vice chairman of the Company's board of directors. The lease terminated June 20, 2022. The Company recorded \$48, \$96, and \$96 of rent expense related to this agreement for each of the three years ended December 31, 2022, 2021, and 2020, respectively and are included as a component of business development, occupancy and equipment in the statement of operations.

### 32. DUE FROM/DUE TO RELATED PARTIES

Amounts due to related parties related to redeemable financial instruments and outstanding debt are included as components of those balances in the consolidated balance sheets. Also, interest or investment return owed on those balances are included as a component of accounts payable and other liabilities in the consolidated balance sheets. Any investment made in an equity method affiliate for which the Company does not elect the fair value option is included as a component of Investments in equity method affiliates in the consolidated balance sheets. Any investment made in an equity method affiliate for which the Company elected the fair value option is included as a component of other investments, at fair value in the consolidated balance sheets.

The following table summarizes the outstanding due from /due to related parties. These amounts may result from normal operating advances, employee advances, or from timing differences between the transactions disclosed in note 31 and final settlement of those transactions in cash. All amounts are primarily non-interest bearing.

#### DUE FROM/DUE TO RELATED PARTIES (Dollars in Thousands)

	As of December 31,	
	2022	2021
CK Capital	\$ -	\$ 137
U.S. Insurance JV	261	147
Insurance SPAC III	-	500
SPAC Fund	294	3,653
Employees & other	232	144
Due from Related Parties	<u>\$ 787</u>	<u>\$ 4,581</u>

COHEN & COMPANY INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
COHEN & COMPANY INC. (PARENT COMPANY)  
Balance Sheets  
(Dollars in Thousands)

	As of December 31,	
	2022	2021
<b>Assets</b>		
Cash	\$ -	\$ -
Investment in Cohen & Company, LLC	68,331	77,896
Prepaid income taxes	146	-
Deferred income taxes	3,093	8,134
Total assets	<u>\$ 71,570</u>	<u>\$ 86,030</u>
<b>Liabilities</b>		
Accrued interest and other liabilities	\$ 307	\$ 128
Debt	24,524	23,961
Total liabilities	<u>24,831</u>	<u>24,089</u>
<b>Stockholders' Equity</b>		
Preferred Stock	27	27
Common Stock	17	17
Additional paid-in capital	72,801	72,006
Accumulated deficit	(25,151)	(9,204)
Accumulated other comprehensive loss	(955)	(905)
Total stockholders' equity	<u>46,739</u>	<u>61,941</u>
Total liabilities and stockholders' equity	<u>\$ 71,570</u>	<u>\$ 86,030</u>

See accompanying notes to condensed financial statements.

COHEN & COMPANY INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
COHEN & COMPANY INC. (PARENT COMPANY)  
Statements of Operations  
(Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Revenues			
Equity in undistributed earnings / (loss) from Cohen & Company, LLC	\$ (4,953)	\$ 13,908	\$ 8,567
Total revenues	(4,953)	13,908	8,567
Operating income / (loss)	(4,953)	13,908	8,567
Non-operating expense			
Interest expense	(3,443)	(2,812)	(3,218)
Income / (loss) before income taxes	(8,396)	11,096	5,349
Income tax (benefit) / expense	4,993	(712)	(8,856)
Net income / (loss)	\$ (13,389)	\$ 11,808	\$ 14,205

See accompanying notes to condensed financial statements.

COHEN & COMPANY INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
COHEN & COMPANY INC. (PARENT COMPANY)  
Statements of Cash Flows  
(Dollars in Thousands)

	For the Year Ended December 31,		
	2022	2021	2020
Operating activities			
Net income / (loss)	\$ (13,389)	\$ 11,808	\$ 14,205
Adjustments to reconcile net income / (loss) to net cash provided by / (used) in operating activities:			
Equity in undistributed earnings / (loss) from Cohen & Company, LLC	4,953	(13,908)	(8,567)
Distributions from / (contributions to) Cohen & Company, LLC	5,433	(2,662)	9,388
Amortization of discount of debt	563	526	434
(Increase) / decrease in other assets	(166)	-	21
Increase / (decrease) in accounts payable and other liabilities	199	(74)	(34)
Increase / (decrease) in deferred income taxes	5,041	(736)	(8,877)
Net cash provided by / (used in) operating activities	2,634	(5,046)	6,570
Financing activities			
Repurchase and repayment of debt	-	-	-
Proceeds from issuance of Common Stock	-	9,076	-
Cash used to net share settle equity awards	(76)	(102)	(15)
Principal payments on debt	-	(2,400)	(4,386)
Repurchase of stock	-	(857)	(2,142)
Dividends paid to stockholders	(2,558)	(671)	(27)
Net cash provided by / (used in) financing activities	(2,634)	5,046	(6,570)
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of period	-	-	-
Cash and cash equivalents, end of period	\$ -	\$ -	\$ -

See accompanying notes to condensed financial statements.

**COHEN & COMPANY INC.**

**CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
COHEN & COMPANY INC. (PARENT COMPANY)  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Dollars in thousands)**

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and related notes of Cohen & Company Inc. Certain prior period amounts have been reclassified to conform to the current period presentation. The Company paid or received cash distributions to / from Cohen & Cohen, LLC as disclosed above in the statements of cash flow.

# COHEN & COMPANY INC.

## BOARD OF DIRECTORS

### **Daniel G. Cohen**

*Executive Chairman of the Board*

### **G. Steven Dawson**

*Private Investor*

### **Jack J. DiMaio, Jr.**

*Vice-Chairman of the Board,  
Chief Executive Officer of Mead  
Park Holdings LP*

### **Jack Haraburda**

*Managing Partner of CJH  
Securities Information Group,  
a professional coaching business*

### **Diana Louise Liberto**

*President, Chief Executive Officer  
and Chair of the Board of Directors  
of WalkMyMind, Inc., a corporate  
and personal wellness company*

## EXECUTIVE OFFICERS

### **Lester R. Brafman**

*Chief Executive Officer*

### **Joseph W. Pooler, Jr.**

*Executive Vice President, Chief  
Financial Officer and Treasurer*

### **Daniel G. Cohen**

*Executive Chairman of the Board*

## CORPORATE INFORMATION

### **Corporate Office**

*Cira Centre  
2929 Arch Street, Suite 1703  
Philadelphia, Pennsylvania 19104*

### **Transfer Agent**

*Computershare*

### **Independent Auditors**

*Grant Thornton LLP*

### **Corporate Counsel**

*Duane Morris LLP*

### **Stock Listing**

*NYSE American (COHN)*

## Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue,” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

While we cannot predict all of the risks and uncertainties, they include, but are not limited to those risks and uncertainties described in “Item 1A – Risk Factors” included in Cohen & Company Inc.’s Annual Report on Form 10-K for the year ended December 31, 2022. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. All subsequent written and oral forward-looking statements concerning other matters addressed in this annual report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this annual report. Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.