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

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**FORM 10-Q**

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

For the Quarterly Period Ended June 30, 2021

OR

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

Commission File Numbers: 0-28191

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**BGC Partners, Inc.**

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of  
incorporation or organization)

499 Park Avenue, New York, NY

(Address of principal executive offices)

13-4063515

(I.R.S. Employer  
Identification No.)

10022

(Zip Code)

(212) 610-2200

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	BGCP	The Nasdaq Stock Market, LLC

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

On August 4, 2021, the registrant had 339,697,821 shares of Class A common stock, \$0.01 par value, and 45,884,380 shares of Class B common stock, \$0.01 par value, outstanding.

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**BGC PARTNERS, INC.**

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## GLOSSARY OF TERMS, ABBREVIATIONS AND ACRONYMS

The following terms, abbreviations and acronyms are used to identify frequently used terms and phrases that may be used in this report:

<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
3.750% Senior Notes	The Company's \$300.0 million principal amount of 3.750% senior notes maturing on October 1, 2024 and issued on September 27, 2019
4.375% Senior Notes	The Company's \$300.0 million principal amount of 4.375% senior notes maturing on December 15, 2025 and issued on July 10, 2020
5.125% Senior Notes	The Company's original \$300.0 million principal amount of 5.125% senior notes which matured on May 27, 2021 and were issued on May 27, 2016, of which \$44.0 million was redeemed through a cash tender offer by the Company on August 14, 2020
5.375% Senior Notes	The Company's \$450.0 million principal amount of 5.375% senior notes maturing on July 24, 2023 and issued on July 24, 2018
Adjusted Earnings	A non-GAAP financial measure used by the Company to evaluate financial performance, which primarily excludes (i) certain non-cash items and other expenses that generally do not involve the receipt or outlay of cash and do not dilute existing stockholders, and (ii) certain gains and charges that management believes do not best reflect the ordinary results of BGC
Algomi	Algomi Limited, a wholly owned subsidiary of the Company, acquired on March 6, 2020
API	Application Programming Interface
April 2008 distribution rights shares	Cantor's deferred stock distribution rights provided to current and former Cantor partners on April 1, 2008
Aqua	Aqua Securities L.P., an alternative electronic trading platform, which offers new pools of block liquidity to the global equities markets and is a 49%-owned equity method investment of the Company and 51% owned by Cantor
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Audit Committee	Audit Committee of the Board
BEAT	Base Erosion and Anti-abuse Tax
Besso	Besso Insurance Group Limited, a wholly owned subsidiary of the Company, acquired on February 28, 2017
BGC	BGC Partners, Inc. and, where applicable, its consolidated subsidiaries
BGC or our Class A common stock	BGC Partners Class A common stock, par value \$0.01 per share
BGC or our Class B common stock	BGC Partners Class B common stock, par value \$0.01 per share
BGC Credit Agreement	Agreement between the Company and Cantor, dated March 19, 2018, that provides for each party or its subsidiaries to borrow up to \$250.0 million, as amended on August 6, 2018 to increase the facility to \$400.0 million
BGC Financial or BGCF	BGC Financial, L.P
BGC Global OpCo	BGC Global Holdings, L.P., an operating partnership, which is owned jointly by BGC and BGC Holdings and holds the non-U.S. businesses of BGC
BGC Group	BGC, BGC Holdings, and BGC U.S. OpCo, and their respective subsidiaries (other than, prior to the Spin-Off, the Newmark Group), collectively

<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
BGC Holdings	BGC Holdings, L.P., an entity owned by Cantor, Founding Partners, BGC employee partners and, after the Separation, Newmark employee partners
BGC Holdings Distribution	Pro-rata distribution, pursuant to the Separation and Distribution Agreement, by BGC Holdings to its partners of all of the exchangeable limited partnership interests of Newmark Holdings owned by BGC Holdings immediately prior to the distribution, completed on the Distribution Date
BGC OpCos	BGC U.S. OpCo and BGC Global OpCo, collectively
BGC Partners	BGC Partners, Inc. and, where applicable, its consolidated subsidiaries
BGC U.S. OpCo	BGC Partners, L.P., an operating partnership, which is owned jointly by BGC and BGC Holdings and holds the U.S. businesses of BGC
Board	Board of Directors of the Company
Brexit	Exit of the U.K. from the EU
Cantor	Cantor Fitzgerald, L.P. and, where applicable, its subsidiaries
Cantor group	Cantor and its subsidiaries other than BGC Partners; includes Newmark
Cantor units	Limited partnership interests of BGC Holdings or Newmark Holdings held by the Cantor group, which units are exchangeable into shares of BGC Class A common stock or BGC Class B common stock, or Newmark Class A common stock or Newmark Class B common stock, as applicable
CCRE	Cantor Commercial Real Estate Company, L.P.
CECL	Current Expected Credit Losses
CEO Program	Controlled equity offering program
CF&Co	Cantor Fitzgerald & Co., a wholly owned broker-dealer subsidiary of Cantor
CFGF	CF Group Management, Inc., the general partner of Cantor
CFS	Cantor Fitzgerald Securities, a wholly owned broker-dealer subsidiary of Cantor
CFTC	Commodity Futures Trading Commission
Charity Day	BGC's annual event held on September 11th where employees of the Company raise proceeds for charity
Class B Issuance	Issuance by BGC of 10,323,366 and 712,907 shares of BGC Class B common stock to Cantor and CFGF, respectively, in exchange for an aggregate of 11,036,273 shares of BGC Class A common stock under the Exchange Agreement, completed on November 23, 2018
CLOB	Central Limit Order Book
CME	CME Group Inc., the company that acquired NEX in November 2018
Company	BGC Partners, Inc. and, where applicable, its consolidated subsidiaries
Company Debt Securities	The 5.125% Senior Notes, 5.375% Senior Notes, 3.750% Senior Notes, 4.375% Senior Notes and any future debt securities issued by the Company
Compensation Committee	Compensation Committee of the Board
Contribution Ratio	Equal to a BGC Holdings limited partnership interest multiplied by one, divided by 2.2 (or 0.4545)

<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
Converted Term Loan	BGC's term loan in an aggregate principal amount of \$400.0 million entered into on November 22, 2017 in conversion of its then-outstanding borrowings under its revolving credit facility, which Converted Term Loan was assumed by Newmark in connection with the Separation and was repaid on November 6, 2018
Corant	Corant Global Limited
Corporate Conversion	The Company's exploration of converting its umbrella partnership C corporation (Up-C) into a simpler corporate structure
COVID-19	Coronavirus Disease 2019
CRD	Capital Requirements Directive
Credit Facility	A \$150.0 million credit facility between the Company and an affiliate of Cantor entered into on April 21, 2017, which was terminated on March 19, 2018
CSC	CSC Commodities UK Limited
Distribution Date	November 30, 2018, the date that BGC and BGC Holdings completed the Spin-Off and the BGC Holdings Distribution, respectively
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
ECB	European Central Bank
Ed Broking	Ed Broking Group Limited, a wholly owned subsidiary of the Company, acquired on January 31, 2019
EMIR	European Market Infrastructure Regulation
EPS	Earnings Per Share
Equity Plan	Seventh Amended and Restated Long Term Incentive Plan, approved by the Company's stockholders at the annual meeting of stockholders on June 22, 2016
ESG	Environmental, social and governance, including sustainability or similar items
eSpeed	Various assets comprising the Fully Electronic portion of the Company's former benchmark on-the-run U.S. Treasury brokerage, market data and co-location service businesses, sold to Nasdaq on June 28, 2013
ETR	Effective Tax Rate
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
Exchange Agreement	A letter agreement by and between BGC Partners and Cantor and CFGM, dated June 5, 2015, that grants Cantor and CFGM the right to exchange shares of BGC Class A common stock into shares of BGC Class B common stock on a one-to-one basis up to the limits described therein
Exchange Ratio	Ratio by which a Newmark Holdings limited partnership interest can be exchanged for shares of Newmark Class A or Class B common stock
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority of the U.K.
FCM	Futures Commission Merchant
February 2012 distribution rights shares	Cantor's deferred stock distribution rights provided to current and former Cantor partners on February 14, 2012

<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
Fenics	BGC’s group of electronic brands, offering a number of market infrastructure and connectivity services, Fully Electronic marketplaces, and the Fully Electronic brokerage of certain products that also may trade via Voice and Hybrid execution, including market data and related information services, Fully Electronic brokerage, connectivity software, compression and other post-trade services, analytics related to financial instruments and markets, and other financial technology solutions; includes Fenics Growth Platforms and Fenics Markets
Fenics Growth Platforms	Includes Fenics UST, Fenics GO, Lucera, Fenics FX and other newer standalone platforms
Fenics Integrated	Includes businesses that utilize sufficient levels of technology such that significant amounts of their transactions can be, or are, executed without broker intervention and have expected pre-tax margins of at least 25%
Fenics Markets	Includes the Fully Electronic portions of BGC’s brokerage businesses, data, software and post-trade revenues that are unrelated to Fenics Growth Platforms, as well as Fenics Integrated revenues
FINRA	Financial Industry Regulatory Authority
Founding Partners	Individuals who became limited partners of BGC Holdings in the mandatory redemption of interests in Cantor in connection with the 2008 separation and merger of Cantor’s BGC division with eSpeed, Inc. (provided that members of the Cantor group and Howard W. Lutnick (including any entity directly or indirectly controlled by Mr. Lutnick or any trust with respect to which he is a grantor, trustee or beneficiary) are not founding partners) and became limited partners of Newmark Holdings in the Separation
Founding/Working Partners	Holders of FPU’s
FPUs	Founding/Working Partners units in BGC Holdings or Newmark Holdings that are generally redeemed upon termination of employment
Freedom	Freedom International Brokerage Company, a 45%-owned equity method investment of the Company
Fully Electronic	Broking transactions intermediated on a solely electronic basis rather than by Voice or Hybrid broking
Futures Exchange Group	CFLP CX Futures Exchange Holdings, LLC, CFLP CX Futures Exchange Holdings, L.P., CX Futures Exchange Holdings, LLC, CX Clearinghouse Holdings, LLC, CX Futures Exchange, L.P. and CX Clearinghouse, L.P.
Futures Transaction	The sale to BGC of Cantor’s futures exchange and related clearinghouse
FX	Foreign exchange
GDPR	General Data Protection Regulation
GFI	GFI Group Inc., a wholly owned subsidiary of the Company, acquired on January 12, 2016
GFI Merger	Acquisition of GFI by a wholly owned subsidiary of the Company pursuant to the GFI Merger Agreement, completed on January 12, 2016 after BGC’s acquisition of Jersey Partners, Inc., GFI’s largest shareholder
GFI Merger Agreement	Agreement in connection with the GFI Merger, dated December 22, 2015
GILTI	Global Intangible Low-Taxed Income
Ginga Petroleum	Ginga Petroleum (Singapore) Pte Ltd, a wholly owned subsidiary of the Company, acquired on March 12, 2019
GUI	Graphical User Interface
HDUs	LPUs with capital accounts, which are liability awards recorded in “Accrued compensation” in the Company’s statements of financial condition
Hybrid	Broking transactions executed by brokers and involving some element of Voice broking and electronic trading

<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
ICAP	ICAP plc, a part of TP ICAP group, and a leading markets operator and provider of execution and information services
ICE	Intercontinental Exchange
IMO	Initial Margin Optimization
Incentive Plan	The Company’s Second Amended and Restated Incentive Bonus Compensation Plan, approved by the Company’s stockholders at the annual meeting of stockholders on June 6, 2017
Insurance brokerage business	The insurance brokerage business of BGC, including Corant, Ed Broking, Besso, Piiq Risk Partners, Junge, Cooper Gay, Global Underwriting and Epsilon, which business is being sold to The Ardonagh Group as announced on May 26, 2021
Investment in Newmark	Purchase of 16.6 million Newmark Holdings limited partnership units for \$242.0 million by BGC Partners and BGC U.S. OpCo on March 7, 2018
Legacy BGC Holdings Units	BGC Holdings LPUs outstanding immediately prior to the Separation
Legacy Newmark Holdings Units	Newmark Holdings LPUs issued in connection with the Separation
LGD	Loss Given Default
LIBOR	London Interbank Offering Rate
LPUs	Certain limited partnership units in BGC Holdings or Newmark Holdings held by certain employees of BGC Partners or Newmark and other persons who have provided services to BGC Partners or Newmark, which units may include APSIs, APSUs, AREUs, ARPSUs, HDUs, U.K. LPUs, N Units, PLPUs, PPSIs, PPSUs, PSEs, PSIs, PSUs, REUs, and RPU, along with future types of limited partnership units in BGC Holdings or Newmark Holdings
Lucera	A wholly owned subsidiary of the Company, also known as “LFI Holdings, LLC” or “LFI,” is a software defined network offering the trading community direct connectivity
March 2018 Sales Agreement	CEO sales agreement, by and between the Company and CF&Co, dated March 9, 2018, pursuant to which the Company may offer and sell up to an aggregate of \$300.0 million of shares of BGC Class A common stock
MEA	Middle East and Africa region
MiFID II	Markets in Financial Instruments Directive II, a legislative framework instituted by the EU to regulate financial markets and improve protections for investors by increasing transparency and standardizing regulatory disclosures
Mint Brokers	A wholly owned subsidiary of the Company, acquired on August 19, 2010, registered as an FCM with both the CFTC and the NFA
Nasdaq	Nasdaq, Inc., formerly known as NASDAQ OMX Group, Inc.
Newmark	Newmark Group, Inc. (NASDAQ symbol: NMRK), a publicly traded and former majority-owned subsidiary of BGC until the Distribution Date, and, where applicable, its consolidated subsidiaries
Newmark Class A common stock	Newmark Group Class A common stock, par value \$0.01 per share
Newmark Class B common stock	Newmark Group Class B common stock, par value \$0.01 per share
Newmark Group	Newmark, Newmark Holdings, and Newmark OpCo and their respective subsidiaries, collectively
Newmark Holdings	Newmark Holdings, L.P.
Newmark IPO	Initial public offering of 23 million shares of Newmark Class A common stock by Newmark at a price of \$14.00 per share in December 2017

<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
Newmark OpCo	Newmark Partners, L.P., an operating partnership, which is owned jointly by Newmark and Newmark Holdings and holds the business of Newmark
NYAG	New York Attorney General's Office
NEX	NEX Group plc, an entity formed in December 2016, formerly known as ICAP
NFA	National Futures Association
Non-GAAP	A financial measure that differs from the most directly comparable measure calculated and presented in accordance with U.S. GAAP, such as Adjusted Earnings and Adjusted EBITDA
N Units	Non-distributing partnership units of BGC Holdings or Newmark Holdings that may not be allocated any item of profit or loss, and may not be made exchangeable into shares of Class A common stock, including NREUs, NPREUs, NLPUs, NPLPUs, NPSUs, and NPSPUs
OCI	Other comprehensive income (loss), including gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities (in periods prior to January 1, 2018), certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
OECD	Organization for Economic Cooperation and Development
OTC	Over-the-Counter
OTF	Organized Trading Facility, a regulated execution venue category introduced by MiFID II
PCD assets	Purchased financial assets with deterioration in credit quality since origination
PD	Probability of Default
Period Cost Method	Treatment of taxes associated with the GILTI provision as a current period expense when incurred rather than recording deferred taxes for basis differences
Poten & Partners	Poten & Partners Group, Inc., a wholly owned subsidiary of the Company, acquired on November 15, 2018
Preferred Distribution	Allocation of net profits of BGC Holdings or Newmark Holdings to holders of Preferred Units, at a rate of either 0.6875% (i.e., 2.75% per calendar year) or such other amount as set forth in the award documentation
Preferred Units	Preferred partnership units in BGC Holdings or Newmark Holdings, such as PPSUs, which are settled for cash, rather than made exchangeable into shares of Class A common stock, are only entitled to a Preferred Distribution, and are not included in BGC's or Newmark's fully diluted share count
Real Estate L.P.	CF Real Estate Finance Holdings, L.P., a commercial real estate-related financial and investment business controlled and managed by Cantor, of which Newmark owns a minority interest
Real GDP	Real Gross Domestic Product is a macroeconomic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation), which transforms the money-value measure, nominal GDP, into an index for quantity of total output
Record Date	Close of business on November 23, 2018, in connection with the Spin-Off
Repurchase Agreements	Securities sold under agreements to repurchase that are recorded at contractual amounts, including interest, and accounted for as collateralized financing transactions
Revolving Credit Agreement	The Company's unsecured senior revolving credit facility with Bank of America, N.A., as administrative agent, and a syndicate of lenders, dated as of November 28, 2018, that provides for a maximum revolving loan balance of \$350.0 million, bearing interest at either LIBOR or a defined base rate plus additional margin, amended on December 11, 2019 to extend the maturity date to February 26, 2021 and further amended on February 26, 2020 to extend the maturity date to February 26, 2023
ROU	Right-of-Use



<b><u>TERM</u></b>	<b><u>DEFINITION</u></b>
RSUs	BGC or Newmark unvested restricted stock units, payable in shares of BGC Class A common stock or Newmark Class A common stock, respectively, held by certain employees of BGC Partners or Newmark and other persons who have provided services to BGC Partners or Newmark, or issued in connection with certain acquisitions
SaaS	Software as a Service
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SEF	Swap Execution Facility
Separation	Principal corporate transactions pursuant to the Separation and Distribution Agreement, by which BGC, BGC Holdings and BGC U.S. OpCo and their respective subsidiaries (other than the Newmark Group) transferred to Newmark, Newmark Holdings and Newmark OpCo and their respective subsidiaries the assets and liabilities of the BGC Group relating to BGC's real estate services business, and related transactions, including the distribution of Newmark Holdings units to holders of units in BGC Holdings and the assumption and repayment of certain BGC indebtedness by Newmark
Separation and Distribution Agreement	Separation and Distribution Agreement, by and among the BGC Group, the Newmark Group, Cantor and BGC Global OpCo, originally entered into on December 13, 2017, as amended on November 8, 2018 and amended and restated on November 23, 2018
SMCR	Senior Managers Certification Regime
SPAC	Special Purpose Acquisition Company
SPAC Investment Banking Activities	Aurel's investment banking activities with respect to special purpose acquisition companies
Spin-Off	Pro-rata distribution, pursuant to the Separation and Distribution Agreement, by BGC to its stockholders of all the shares of common stock of Newmark owned by BGC Partners immediately prior to the Distribution Date, with shares of Newmark Class A common stock distributed to the holders of shares of BGC Class A common stock (including directors and executive officers of BGC Partners) of record on the Record Date, and shares of Newmark Class B common stock distributed to the holders of shares of BGC Class B common stock (Cantor and CFGM) of record on the Record Date, completed on the Distribution Date
Tax Act	Tax Cuts and Jobs Act enacted on December 22, 2017
Term Loan	BGC's term loan in an aggregate principal amount of \$575.0 million under a credit agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders, dated as of September 8, 2017, as amended, which Term Loan was assumed by Newmark in connection with the Separation and repaid on March 31, 2018
The Ardonagh Group	The Ardonagh Group Limited; the U.K.'s largest independent insurance broker and planned purchaser of BGC's insurance brokerage business as announced on May 26, 2021
Tower Bridge	Tower Bridge International Services L.P., a subsidiary of the Company, which is 52%-owned by the Company and 48%-owned by Cantor
TP ICAP	TP ICAP plc, an entity formed in December 2016, formerly known as Tullett
Tullett	Tullett Prebon plc, a part of TP ICAP group and an interdealer broker, primarily operating as an intermediary in the wholesale financial and energy sectors
U.K.	United Kingdom
U.S. GAAP or GAAP	Generally Accepted Accounting Principles in the United States of America
UBT	Unincorporated Business Tax
VIE	Variable Interest Entity

<u>TERM</u>	<u>DEFINITION</u>
Voice	Voice-only broking transactions executed by brokers over the telephone

## SPECIAL NOTE ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains forward-looking statements. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as “may,” “will,” “should,” “estimates,” “predicts,” “possible,” “potential,” “continue,” “strategy,” “believes,” “anticipates,” “plans,” “expects,” “intends,” and similar expressions are intended to identify forward-looking statements.

Our actual results and the outcome and timing of certain events may differ significantly from the expectations discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, the factors set forth below:

- the impact of the COVID-19 pandemic, including possible successive waves or variants of the virus, on our operations, including the continued ability of our executives, employees, customers, clients, third-party service providers, exchanges and other facilities to perform their functions at normal levels and the availability of the requisite technology to execute trades in certain Fully Electronic offerings while working remotely;
- macroeconomic and other challenges and uncertainties resulting from the COVID-19 pandemic, such as the extent and duration of the impact on public health, including the distribution of effective vaccines, public acceptance of the vaccines, and governmental and public reactions thereto, including the adoption of vaccine passport requirements by governmental authorities or private operators of public spaces, the U.S. and global economies, financial and insurance markets and consumer and corporate clients and customers, including economic activity, employment levels and market liquidity, as well as the various actions taken in response to the challenges and uncertainties by governments, central banks and others, including us;
- market conditions, including trading volume and volatility in the demand for the products and services we provide, resulting from the effects of COVID-19 or otherwise, possible disruptions in trading, developments in the insurance industry, potential deterioration of equity and debt capital markets, impact of significant changes in interest rates and our ability to access the capital markets as needed or on reasonable terms and conditions;
- Our recent announcement of an agreement to sell our Insurance business and the impact of such transaction on our financial results, the timing of any related regulatory approvals and the timing of the closing of such transaction;
- pricing, commissions and fees, and market position with respect to any of our products and services and those of our competitors;
- the effect of industry concentration and reorganization, reduction of customers, and consolidation;
- liquidity, regulatory, cash and clearing capital requirements and the impact of credit market events, including the impact of COVID-19 and actions taken by governments and businesses in response thereto on the credit markets and interest rates;
- our relationships and transactions with Cantor and its affiliates, including CF&Co, and CCRE, our structure, including BGC Holdings, which is owned by us, Cantor, our employee partners and other partners, and the BGC OpCos, which are owned jointly by us and BGC Holdings, any possible Corporate Conversion, changes to our structure, any related transactions, conflicts of interest or litigation, any impact of Cantor’s results on our credit ratings and associated outlooks, any loans to or from us or Cantor, BGC Holdings, or the BGC OpCos, including the balances and interest rates thereof from time to time and any convertible or equity features of any such loans, CF&Co’s acting as our sales agent or underwriter under our CEO program or other offerings, Cantor’s holdings of the Company’s Debt Securities, CF&Co’s acting as a market maker in the Company’s Debt Securities, CF&Co’s acting as our financial advisor in connection with potential acquisitions, dispositions, or other transactions, and our participation in various investments, stock loans or cash management vehicles placed by or recommended by CF&Co;
- the impact on our stock price of the reduction of our dividend and potential future changes in our capital deployment priorities, including repurchases of shares and LPUs, and dividend policy, as well as reductions in BGC Holdings distributions to partners and the related impact of such reductions, as well as layoffs, salary cuts, and expected lower commissions or bonuses on the repayment of partner loans;
- the integration of acquired businesses with our other businesses;

- the rebranding of our current businesses or risks related to any potential dispositions of all or any portion of our existing or acquired businesses;
- market volatility as a result of the effects of COVID-19, which may not be sustainable or predictable in future periods;
- economic or geopolitical conditions or uncertainties, the actions of governments or central banks, including the impact of COVID-19 on the global markets, and related government stimulus packages, including those related to COVID-19, government “shelter-in-place” mandates and other restrictions on business and commercial activity and timing of reopening of world economies, uncertainty regarding the nature, timing and consequences of Brexit following the withdrawal process, including potential reduction in investment in the U.K. and the failure of the U.K. and the EU to obtain agreement on regulations or adopt “equivalence decisions” governing the financial services industry, and the pursuit of trade, border control or other related policies by the U.S. and/or other countries (including U.S.- China trade relations), political and labor unrest in China and other jurisdictions, conflict in the Middle East, the impact of U.S. government shutdowns, elections, political unrest or stalemates in the U.S. or abroad, risks of illness of the U.S. President and other governmental officials, and the impact of terrorist acts, acts of war or other violence or political unrest, as well as natural disasters or weather-related or similar events, including hurricanes as well as power failures, communication and transportation disruptions, and other interruptions of utilities or other essential services and the impacts of pandemics and other international health emergencies, including COVID-19;
- the effect on our businesses, our clients, the markets in which we operate, our possible restructuring, and the economy in general of changes in the U.S. and foreign tax and other laws, including changes in tax rates, repatriation rules, and deductibility of interest, potential policy and regulatory changes in Mexico and other countries, sequestrations, uncertainties regarding the debt ceiling and the federal budget, and other potential political policies;
- the effect on our businesses of inflationary pressures, and the Federal Reserve's response thereto, infrastructure spending, changes in interest rates, changes in benchmarks, including the phase out of LIBOR and federal and state legislation relating thereto, the level of worldwide governmental debt issuances, austerity programs, government stimulus packages, including those related to COVID-19, increases or decreases in deficits and the impact of increased government tax rates, and other changes to monetary policy, and potential political impasses or regulatory requirements, including increased capital requirements for banks and other institutions or changes in legislation, regulations and priorities;
- extensive regulation of our businesses and customers, changes in regulations relating to financial services companies and other industries, and risks relating to compliance matters, including regulatory examinations, inspections, investigations and enforcement actions, and any resulting costs, increased financial and capital requirements, enhanced oversight, remediation, fines, penalties, sanctions, and changes to or restrictions or limitations on specific activities, including potential delays in accessing markets, including due to our regulatory status and actions, operations, compensatory arrangements, and growth opportunities, including acquisitions, hiring, and new businesses, products, or services;
- factors related to specific transactions or series of transactions, including credit, performance, and principal risk, trade failures, counterparty failures, and the impact of fraud and unauthorized trading;
- the effect on our businesses of any extraordinary transactions, including the possible restructuring of our partnership into a corporate structure, including potential dilution and other impacts;
- costs and expenses of developing, maintaining, and protecting our intellectual property, as well as employment, regulatory, and other litigation and proceedings, and their related costs, including judgments, indemnities, fines, or settlements paid and the impact thereof on our financial results and cash flows in any given period;
- certain financial risks, including the possibility of future losses, reduced cash flows from operations, increased leverage, reduced availability under the Revolving Credit Agreement, and the need for short- or long-term borrowings, including from Cantor, our ability to refinance our indebtedness, including in the credit markets, and changes to interest rates and liquidity or our access to other sources of cash relating to acquisitions, dispositions, or other matters, potential liquidity and other risks relating to our ability to maintain continued access to credit and availability of financing necessary to support our ongoing business needs, on terms acceptable to us, if at all, and risks associated with the resulting leverage, including potentially causing a reduction in our credit ratings and the associated outlooks and increased borrowing costs as well as interest rate and foreign currency exchange rate fluctuations;

- risks associated with the temporary or longer-term investment of our available cash, including in the BGC OpCos, defaults or impairments on our investments, joint venture interests, stock loans or cash management vehicles and collectability of loan balances owed to us by partners, employees, the BGC OpCos or others;
- our ability to enter new markets or develop new products, trading desks, marketplaces, or services for existing or new clients, including efforts to convert certain existing products to a Fully Electronic trade execution, and to induce such clients to use these products, trading desks, marketplaces, or services and to secure and maintain market share, including changes to the likelihood or timing of such efforts due to COVID-19 or other developments;
- the impact of any Corporate Conversion, restructuring or similar transactions on our ability to enter into marketing and strategic alliances and business combinations or other transactions in the financial services and other industries, including acquisitions, tender offers, dispositions, reorganizations, partnering opportunities and joint ventures, the failure to consummate or to realize the anticipated benefits of any such transactions, relationships or growth, including the proposed sale of our Insurance brokerage business to The Ardonagh Group, and the future impact of any such transactions, relationships or growth on our other businesses and our financial results for current or future periods, the integration of any completed acquisitions and the use of proceeds of any completed dispositions, and the value of and any hedging entered into in connection with consideration received or to be received in connection with such dispositions and any transfers thereof;
- our estimates or determinations of potential value with respect to various assets or portions of our businesses, such as Fenics, including with respect to the accuracy of the assumptions or the valuation models or multiples used;
- our ability to hire and retain personnel, including brokers, salespeople, managers, and other professionals, including senior personnel;
- our ability to expand the use of technology for Hybrid and Fully Electronic trade execution in our product and service offerings;
- our ability to effectively manage any growth that may be achieved, while ensuring compliance with all applicable financial reporting, internal control, legal compliance, and regulatory requirements;
- our ability to remediate any material weaknesses or significant deficiencies in our internal controls and our ability to identify and remediate any future material weaknesses or significant deficiencies in our internal controls which could affect our ability to properly maintain books and records, prepare financial statements and reports in a timely manner, access the capital markets, control our policies, practices and procedures, operations and assets, assess and manage our operational, regulatory and financial risks, and integrate our acquired businesses and brokers, salespeople, managers and other professionals;
- the impact of unexpected market moves and similar events;
- information technology risks, including capacity constraints, failures, or disruptions in our systems or those of the clients, counterparties, exchanges, clearing facilities, or other parties with which we interact, including increased demands on such systems and on the telecommunications infrastructure from remote working during the COVID-19 pandemic, cyber-security risks and incidents, compliance with regulations requiring data minimization and protection and preservation of records of access and transfers of data, privacy risk and exposure to potential liability and regulatory focus;
- the effectiveness of our governance, risk management, and oversight procedures and impact of any potential transactions or relationships with related parties;
- the impact of our ESG or “sustainability” ratings on the decisions by clients, investors, ratings agencies, potential clients and other parties with respect to our businesses, investments in us or the market for and trading price of BGC Class A common stock, Company Debt Securities, or other matters;
- the fact that the prices at which shares of our Class A common stock are or may be sold in one or more of our CEO Program or other offerings, acquisitions, or other transactions may vary significantly, and purchasers of shares in such offerings or other transactions, as well as existing stockholders, may suffer significant dilution if the price they paid for their shares is higher than the price paid by other purchasers in such offerings or transactions;
- the impact of our recent significant reductions to our dividends and distributions and the timing and amounts of any future dividends or distributions, including our ability to meet expectations with respect to payments of dividends and distributions and repurchases of shares of our Class A common stock and purchases or

redemptions of limited partnership interests in BGC Holdings, or other equity interests in us or any of our other subsidiaries, including the BGC OpCos, including from Cantor, our executive officers, other employees, partners, and others, and the net proceeds to be realized by us from offerings of shares of BGC Class A common stock and Company Debt Securities; and

- the effect on the markets for and trading prices of our Class A common stock and Company Debt Securities due to COVID-19 and other market factors as well as on various offerings and other transactions, including our CEO Program and other offerings of our Class A common stock and convertible or exchangeable debt or other securities, our repurchases, including block purchases or repurchase plans or arrangements, of shares of our Class A common stock and purchases or redemptions of BGC Holdings limited partnership interests or other equity interests in us or in our subsidiaries, any exchanges by Cantor of shares of our Class A common stock for shares of our Class B common stock, any exchanges or redemptions of limited partnership units and issuances of shares of our Class A common stock in connection therewith, including in corporate or partnership restructurings, our payment of dividends on our Class A common stock and distributions on limited partnership interests in BGC Holdings and the BGC OpCos, convertible arbitrage, hedging, and other transactions engaged in by us or holders of our outstanding shares, Company Debt Securities, share sales and stock pledge, stock loans, and other financing transactions by holders of our shares (including by Cantor or others), including of shares acquired pursuant to our employee benefit plans, unit exchanges and redemptions, corporate or partnership restructurings, acquisitions, conversions of shares of our Class B common stock and our other convertible securities into shares of our Class A common stock, stock pledge, stock loan, or other financing transactions, and distributions of our Class A common stock by Cantor to its partners, including the April 2008 and February 2012 distribution rights shares.

The foregoing risks and uncertainties, as well as those risks and uncertainties set forth in this Quarterly Report on Form 10-Q, may cause actual results and events to differ materially from the forward-looking statements. The information included herein is given as of the filing date of this Form 10-Q with the SEC, and future results or events could differ significantly from these forward-looking statements. The Company does not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public from the SEC's website at [www.sec.gov](http://www.sec.gov).

Our website address is [www.bgcpartners.com](http://www.bgcpartners.com). Through our website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special stockholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D with respect to our securities filed on behalf of Cantor, CFGM, our directors and our executive officers; and amendments to those documents. Our website also contains additional information with respect to our industry and businesses. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Quarterly Report on Form 10-Q.

**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
**(in thousands, except per share data)**  
**(unaudited)**

	June 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 420,302	\$ 593,646
Cash segregated under regulatory requirements	36,365	257,031
Securities owned	49,222	58,572
Marketable securities	360	349
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	1,455,333	304,022
Accrued commissions and other receivables, net	338,313	739,009
Loans, forgivable loans and other receivables from employees and partners, net	370,800	408,142
Fixed assets, net	204,531	214,782
Investments	33,400	38,008
Goodwill	487,434	556,211
Other intangible assets, net	219,291	287,157
Receivables from related parties	7,890	11,953
Other assets	461,379	480,418
Assets held for sale	1,048,859	—
Total assets	\$ 5,133,479	\$ 3,949,300
<b>Liabilities, Redeemable Partnership Interest, and Equity</b>		
Short-term borrowings	\$ 5,997	\$ 3,849
Accrued compensation	187,166	220,726
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	1,305,743	179,716
Payables to related parties	79,920	36,252
Accounts payable, accrued and other liabilities	652,366	1,363,919
Notes payable and other borrowings	1,243,248	1,315,935
Liabilities held for sale	850,112	—
Total liabilities	4,324,552	3,120,397
Commitments, contingencies and guarantees (Note 20)		
Redeemable partnership interest	19,582	20,674
<b>Equity</b>		
Stockholders' equity:		
Class A common stock, par value \$0.01 per share; 750,000 shares authorized; 416,914 and 373,545 shares issued at June 30, 2021 and December 31, 2020, respectively; and 348,795 and 323,018 shares outstanding at June 30, 2021 and December 31, 2020, respectively	4,169	3,735
Class B common stock, par value \$0.01 per share; 150,000 shares authorized; 45,884 shares issued and outstanding at each of June 30, 2021 and December 31, 2020, convertible into Class A common stock	459	459
Additional paid-in capital	2,367,458	2,354,492
Treasury stock, at cost: 68,119 and 50,527 shares of Class A common stock at June 30, 2021 and December 31, 2020, respectively	(406,701)	(315,313)
Retained deficit	(1,211,870)	(1,265,504)
Accumulated other comprehensive income (loss)	(30,605)	(28,930)
Total stockholders' equity	722,910	748,939
Noncontrolling interest in subsidiaries	66,435	59,290
Total equity	789,345	808,229
Total liabilities, redeemable partnership interest, and equity	\$ 5,133,479	\$ 3,949,300

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.*



**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Commissions	\$ 389,768	\$ 382,640	\$ 824,988	\$ 838,495
Principal transactions	81,997	99,453	180,760	212,764
Fees from related parties	4,245	6,562	8,030	12,083
Data, software and post-trade	21,602	20,139	43,588	39,537
Interest and dividend income	11,455	6,536	14,493	10,697
Other revenues	3,383	3,758	8,167	8,679
Total revenues	512,450	519,088	1,080,026	1,122,255
<b>Expenses:</b>				
Compensation and employee benefits	270,427	283,616	578,589	628,544
Equity-based compensation and allocations of net income to limited partnership units and FPU's	58,290	27,819	91,785	70,023
Total compensation and employee benefits	328,717	311,435	670,374	698,567
Occupancy and equipment	46,900	47,247	95,033	98,321
Fees to related parties	4,452	5,194	9,743	10,629
Professional and consulting fees	17,820	19,805	33,960	39,761
Communications	30,774	30,524	60,578	61,045
Selling and promotion	8,616	6,634	16,104	25,333
Commissions and floor brokerage	14,308	13,520	32,237	32,797
Interest expense	18,680	17,625	36,533	35,131
Other expenses	23,688	21,480	39,777	39,011
Total expenses	493,955	473,464	994,339	1,040,595
<b>Other income (losses), net:</b>				
Gains (losses) on divestitures and sale of investments	(32)	—	(32)	—
Gains (losses) on equity method investments	1,323	1,119	2,789	2,142
Other income (loss)	1,864	1,129	7,270	(4,886)
Total other income (losses), net	3,155	2,248	10,027	(2,744)
Income (loss) from operations before income taxes	21,650	47,872	95,714	78,916
Provision (benefit) for income taxes	(1,191)	8,599	13,748	19,474
Consolidated net income (loss)	\$ 22,841	\$ 39,273	\$ 81,966	\$ 59,442
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	4,672	11,354	20,706	17,849
Net income (loss) available to common stockholders	\$ 18,169	\$ 27,919	\$ 61,260	\$ 41,593
<b>Per share data:</b>				
<i>Basic earnings (loss) per share</i>				
Net income (loss) available to common stockholders	\$ 18,169	\$ 27,919	\$ 61,260	\$ 41,593
Basic earnings (loss) per share	\$ 0.05	\$ 0.08	\$ 0.16	\$ 0.12
Basic weighted-average shares of common stock outstanding	384,902	360,614	379,639	359,308
<i>Fully diluted earnings (loss) per share</i>				
Net income (loss) for fully diluted shares	\$ 26,023	\$ 40,173	\$ 88,271	\$ 59,498
Fully diluted earnings (loss) per share	\$ 0.05	\$ 0.07	\$ 0.16	\$ 0.11
Fully diluted weighted-average shares of common stock outstanding	563,923	546,123	560,210	542,390

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.*

**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Consolidated net income (loss)	\$ 22,841	\$ 39,273	\$ 81,966	\$ 59,442
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	2,139	2,794	(1,897)	(16,565)
Benefit plans	(279)	(6,914)	(197)	2,236
Total other comprehensive income (loss), net of tax	1,860	(4,120)	(2,094)	(14,329)
Comprehensive income (loss)	24,701	35,153	79,872	45,113
Less: Comprehensive income (loss) attributable to noncontrolling interest in subsidiaries, net of tax	4,853	9,722	20,287	16,988
Comprehensive income (loss) attributable to common stockholders	\$ 19,848	\$ 25,431	\$ 59,585	\$ 28,125

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.*

**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Consolidated net income (loss)	\$ 81,966	\$ 59,442
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Fixed asset depreciation and intangible asset amortization	42,910	41,842
Employee loan amortization and reserves on employee loans	34,687	31,633
Equity-based compensation and allocations of net income to limited partnership units and FPU's	91,785	70,023
Deferred compensation expense	289	404
Losses (gains) on equity method investments	(2,855)	(2,142)
Realized losses (gains) on marketable securities	—	(289)
Unrealized losses (gains) on marketable securities	(10)	2
Loss (gains) on other investments	87	46
Amortization of discount (premium) on notes payable	1,967	2,307
Impairment of fixed assets, intangible assets and investments	3,265	7,632
Deferred tax provision (benefit)	(4,401)	2,622
Change in estimated acquisition earn-out payables	1,939	(369)
Forfeitures of Class A common stock	(330)	—
Other	(1,934)	108
<b>Consolidated net income (loss), adjusted for non-cash and non-operating items</b>	<b>249,365</b>	<b>213,261</b>
Decrease (increase) in operating assets:		
Securities owned	9,730	(1,255)
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	(1,151,410)	(546,351)
Accrued commissions receivable, net	(160,613)	50,660
Loans, forgivable loans and other receivables from employees and partners, net	(12,400)	(78,661)
Receivables from related parties	3,216	2,714
Other assets	(9,955)	2,116
Increase (decrease) in operating liabilities:		
Securities loaned	—	(13,902)
Accrued compensation	(16,971)	23,877
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	1,126,168	541,339
Payables to related parties	42,593	(42,522)
Accounts payable, accrued and other liabilities	118,592	(78,249)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 198,315</b>	<b>\$ 73,027</b>

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements  
are an integral part of these financial statements.*

**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**  
(in thousands)  
(unaudited)

	Six Months Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	\$ (5,912)	\$ (20,058)
Capitalization of software development costs	(23,895)	(28,274)
Purchase of equity method investments	(625)	(613)
Proceeds from equity method investments	5,318	1,650
Payments for acquisitions, net of cash and restricted cash acquired	—	(7,871)
Proceeds from sale of marketable securities	—	14,237
Purchase of assets	—	(2,000)
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (25,114)</b>	<b>\$ (42,929)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of long-term debt and collateralized borrowings	\$ (263,102)	\$ (81,850)
Issuance of long-term debt and collateralized borrowings, net of deferred issuance costs	188,449	227,828
Earnings distributions to limited partnership interests and other noncontrolling interests	(34,714)	(42,726)
Redemption and repurchase of limited partnership interests	(39,240)	(6,561)
Dividends to stockholders	(7,626)	(53,210)
Repurchase of Class A common stock	(107,783)	—
Proceeds from sale of Cantor Units in BGC Holdings	5,145	—
Short term borrowings, net of repayments	1,999	—
Payments on acquisition earn-outs	(8,139)	(8,407)
<b>Net cash provided by (used in) financing activities</b>	<b>\$ (265,011)</b>	<b>\$ 35,074</b>
Effect of exchange rate changes on Cash and cash equivalents and Cash segregated under regulatory requirements	478	(14,286)
<b>Net increase (decrease) in Cash and cash equivalents, and Cash segregated under regulatory requirements including Cash and Cash segregated under regulatory requirements classified within Assets held for sale</b>	<b>(91,332)</b>	<b>50,886</b>
Less: Net increase (decrease) in cash classified within Assets held for sale	(302,678)	—
Net increase (decrease) in Cash and cash equivalents, and Cash segregated under regulatory requirements	(394,010)	50,886
Cash and cash equivalents and Cash segregated under regulatory requirements at beginning of period	850,677	636,114
<b>Cash and cash equivalents and Cash segregated under regulatory requirements at end of period</b>	<b>\$ 456,667</b>	<b>\$ 687,000</b>
Supplemental cash information:		
Cash paid during the period for taxes	\$ 21,334	\$ 19,667
Cash paid during the period for interest	35,352	32,537
Supplemental non-cash information:		
Issuance of Class A common stock upon exchange of limited partnership interests	\$ 132,907	\$ 6,750
Issuance of Class A and contingent Class A common stock and limited partnership interests for acquisitions	513	1,399
ROU assets and liabilities	—	11,326

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.*

**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Three Months Ended June 30, 2021**  
**(in thousands, except share amounts)**  
**(unaudited)**

	BGC Partners, Inc. Stockholders							
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
Balance, April 1, 2021	\$ 3,858	\$ 459	\$ 2,365,750	\$ (318,864)	\$ (1,226,187)	\$ (32,284)	\$ 77,690	\$ 870,422
Consolidated net income (loss)	—	—	—	—	18,169	—	4,672	22,841
Other comprehensive income (loss), net of tax	—	—	—	—	—	1,679	181	1,860
Equity-based compensation, 360,422 shares	3	—	1,722	—	—	—	762	2,487
Dividends to common stockholders	—	—	—	—	(3,852)	—	—	(3,852)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(4,958)	(4,958)
Grant of exchangeability and redemption of limited partnership interests, issuance of 30,155,970 shares	302	—	11,736	—	—	—	19,910	31,948
Issuance of Class A common stock (net of costs), 3,542 shares	—	—	126	—	—	—	4	130
Redemption of FPU's, 44,496 units	—	—	—	—	—	—	(108)	(108)
Repurchase of Class A common stock, 16,542,535 shares	—	—	—	(87,421)	—	—	(15,965)	(103,386)
Forfeiture of Class A common stock, 83,765 shares	—	—	137	(416)	—	—	(51)	(330)
Contributions of capital to and from Cantor for equity-based compensation	—	—	(14,746)	—	—	—	(12,425)	(27,171)
Grant of exchangeability, redemption of limited partnership interests and issuance of Class A common stock and RSUs for acquisitions, 536,893 shares	6	—	2,820	—	—	—	(2,338)	488
Other	—	—	(87)	—	—	—	(939)	(1,026)
Balance, June 30, 2021	\$ 4,169	\$ 459	\$ 2,367,458	\$ (406,701)	\$ (1,211,870)	\$ (30,605)	\$ 66,435	\$ 789,345

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.*

**BGC PARTNERS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Three and Six Months Ended June 30, 2020**  
**(in thousands, except share amounts)**  
**(unaudited)**

BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
<b>Balance, April 1, 2020</b>	<b>\$ 3,616</b>	<b>\$ 459</b>	<b>\$ 2,293,221</b>	<b>\$ (315,308)</b>	<b>\$ (1,289,931)</b>	<b>\$ (44,082)</b>	<b>\$ 48,349</b>	<b>\$ 696,324</b>
Consolidated net income (loss)	—	—	—	—	27,919	—	11,354	39,273
Other comprehensive gain, net of tax	—	—	—	—	—	(2,488)	(1,632)	(4,120)
Equity-based compensation, 103,167 shares	1	—	2,097	—	—	—	1,013	3,111
Dividends to common stockholders	—	—	—	—	(3,577)	—	—	(3,577)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(6,943)	(6,943)
Grant of exchangeability and redemption of limited partnership interests, issuance of 1,968,788 shares	20	—	9,096	—	—	—	4,841	13,957
Issuance of Class A common stock (net of costs), 176,920 shares	1	—	4,690	—	—	—	11	4,702
Redemption of FPU's, 1,250 units	—	—	—	—	—	—	(2)	(2)
Contributions of capital to and from Cantor for equity-based compensation	—	—	35	—	—	—	52	87
Issuance of Class A common stock and RSUs for acquisitions, 14,939 shares	—	—	42	—	—	—	(42)	—
Other	—	—	(52)	—	—	—	—	(52)
<b>Balance, June 30, 2020</b>	<b>\$ 3,638</b>	<b>\$ 459</b>	<b>\$ 2,309,129</b>	<b>\$ (315,308)</b>	<b>\$ (1,265,589)</b>	<b>\$ (46,570)</b>	<b>\$ 57,001</b>	<b>\$ 742,760</b>

BGC Partners, Inc. Stockholders								
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
<b>Balance, January 1, 2020</b>	<b>\$ 3,584</b>	<b>\$ 459</b>	<b>\$ 2,272,103</b>	<b>\$ (315,308)</b>	<b>\$ (1,253,089)</b>	<b>\$ (33,102)</b>	<b>\$ 50,321</b>	<b>\$ 724,968</b>
Consolidated net income (loss)	—	—	—	—	41,593	—	17,849	59,442
Other comprehensive income (loss), net of tax	—	—	—	—	—	(13,468)	(861)	(14,329)
Equity-based compensation, 799,674 shares	8	—	3,930	—	—	—	1,879	5,817
Dividends to common stockholders	—	—	—	—	(53,210)	—	—	(53,210)
Earnings distributions to limited partnership interests and other noncontrolling interests	—	—	—	—	—	—	(25,143)	(25,143)
Grant of exchangeability and redemption of limited partnership interests, issuance of 4,074,189 shares	41	—	26,125	—	—	—	12,589	38,755
Issuance of Class A common stock (net of costs), 248,583 shares	2	—	4,922	—	—	—	71	4,995
Redemption of FPU's, 1,250 units	—	—	—	—	—	—	(2)	(2)
Contributions of capital to and from Cantor for equity-based compensation	—	—	764	—	—	—	541	1,305
Issuance of Class A common stock and RSUs for acquisitions, 285,435 shares	3	—	1,221	—	—	—	175	1,399
Cumulative effect of current expected credit losses standard adoption	—	—	—	—	(883)	—	(417)	(1,300)
Other	—	—	64	—	—	—	(1)	63
<b>Balance, June 30, 2020</b>	<b>\$ 3,638</b>	<b>\$ 459</b>	<b>\$ 2,309,129</b>	<b>\$ (315,308)</b>	<b>\$ (1,265,589)</b>	<b>\$ (46,570)</b>	<b>\$ 57,001</b>	<b>\$ 742,760</b>

*The accompanying Notes to the unaudited Condensed Consolidated Financial Statements are an integral part of these financial statements.*

**BGC PARTNERS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. Organization and Basis of Presentation**

***Business Overview***

BGC Partners, Inc. is a leading global brokerage and financial technology company servicing the global financial markets. Through the Company's financial service brands, including BGC, GFI, Sunrise Brokers, Besso, Ed Broking, Poten & Partners, RP Martin, Fenics, Corant, and Corant Global, among others, the Company specializes in the brokerage of a broad range of products, including fixed income such as government bonds, corporate bonds, and other debt instruments, as well as related interest rate derivatives and credit derivatives. The Company also brokers products across FX, equity derivatives and cash equities, energy and commodities, shipping, insurance, and futures and options. The Company's businesses also provide a wide variety of services, including trade execution, brokerage services, clearing, compression and other post-trade services, information, and other back-office services to a broad assortment of financial and non-financial institutions.

BGC Partners' integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use Voice, Hybrid, or in many markets, Fully Electronic brokerage services in connection with transactions executed either OTC or through an exchange. Through the Company's Fenics group of electronic brands, BGC Partners offers a number of market infrastructure and connectivity services, Fully Electronic marketplaces, and the Fully Electronic brokerage of certain products that also may trade via Voice and Hybrid execution. The full suite of Fenics offerings include Fully Electronic brokerage, market data and related information services, trade compression and other post-trade services, analytics related to financial instruments and markets, and other financial technology solutions. Fenics brands operate under the names Fenics, BGC Trader, CreditMatch, Fenics Market Data, BGC Market Data, kACE2, EMBonds, Capitalab, Swaptioniser, CBID and Lucera.

BGC, BGC Partners, BGC Trader, GFI, GFI Ginga, CreditMatch, Fenics, Fenics.com, Sunrise Brokers, Corant, Corant Global, Besso, Ed Broking, Poten & Partners, RP Martin, kACE2, EMBonds, Capitalab, Swaptioniser, CBID, Aqua and Lucera are trademarks/service marks, and/or registered trademarks/service marks of BGC Partners, Inc. and/or its affiliates.

The Company's customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, and investment firms. BGC Partners has dozens of offices globally in major markets including New York and London, as well as in Bahrain, Beijing, Bermuda, Bogotá, Brisbane, Buenos Aires, Chicago, Copenhagen, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, Houston, Istanbul, Johannesburg, Madrid, Melbourne, Mexico City, Miami, Moscow, Nyon, Paris, Rio de Janeiro, Santiago, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tel Aviv, Tokyo, Toronto, and Zurich.

The Company previously offered real estate services through its publicly traded subsidiary, Newmark (NASDAQ: NMRK). On November 30, 2018, BGC completed the Spin-Off, with shares of Newmark Class A common stock distributed to the holders of shares of BGC Class A common stock (including directors and executive officers of BGC Partners) of record as of the close of business on the Record Date and shares of Newmark Class B common stock distributed to the holders of shares of BGC Partners Class B common stock (consisting of Cantor and CFGM) of record as of the close of business on the Record Date. The Spin-Off was effective as of 12:01 a.m., New York City time, on the Distribution Date. Following the Spin-Off and the BGC Holdings Distribution, BGC ceased to be a controlling stockholder of Newmark, and BGC and its subsidiaries no longer held any shares of Newmark common stock or other equity interests in Newmark or its subsidiaries. Therefore, the Company no longer consolidates Newmark with its financial results. Cantor continues to control Newmark and its subsidiaries following the Spin-Off and the BGC Holdings Distribution. See Note 1—"Organization and Basis of Presentation" to the Company's consolidated financial statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K as of December 31, 2020, for further information regarding the transactions related to the IPO and Spin-Off of Newmark.

***Basis of Presentation***

The Company's unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC and in conformity with U.S. GAAP. The Company's unaudited condensed consolidated financial statements include the Company's accounts and all subsidiaries in which the Company has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

During the year ended December 31, 2020, the Company changed the line item formerly known as "Interest income" to "Interest and dividend income" in the Company's unaudited condensed consolidated statements of operation. The change did



not result in any reclassification of revenue, had no impact on the Company's "Total revenues" and is viewed only as a name change to better reflect the underlying activity.

The unaudited condensed consolidated financial statements contain all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the unaudited condensed consolidated statements of financial condition, the unaudited condensed consolidated statements of operations, the unaudited condensed consolidated statements of comprehensive income (loss), the unaudited condensed consolidated statements of cash flows and the unaudited condensed consolidated statements of changes in equity of the Company for the periods presented.

#### ***Assets and Liabilities Held for Sale***

The Company classifies disposal groups to be sold as held for sale in the period in which all held for sale criteria in ASC 360, *Property, Plant, and Equipment* are met.

The respective disposal group classified as held for sale and the assets and liabilities included in the group, are carried at the lower of cost or the fair value less costs to sell on the Company's unaudited condensed consolidated statements of financial condition. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met, and any gains on the sale of the disposal group are not recognized until the transaction has completed. The fair value of the disposal group less any costs to sell is reassessed each reporting period it remains classified as held for sale. Any subsequent changes in fair value, where the cost was previously deemed to be greater than the fair value of the disposal group less costs to sell, are reported as an adjustment to the carrying value of the disposal group, except if the adjusted carrying amounts of the long-lived assets and liabilities exceed the carrying values at the time they were initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company ceases depreciation and amortization of long-lived assets included in the disposal group. BGC reports long-lived assets and the assets and liabilities of the disposal group in the line items Assets held for sale and Liabilities held for sale, respectively, in its unaudited condensed consolidated statements of financial condition.

Refer to Note 4—"Assets and Liabilities Held for Sale" for detailed information on the held for sale activities reported in the Company's unaudited condensed consolidated statements of financial condition as of June 30, 2021.

#### ***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize an ROU asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures. Accounting guidance for lessors is mostly unchanged. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, to clarify how to apply certain aspects of the new leases standard. The amendments address the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments, among other issues. In addition, in July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*, which provided an additional (and optional) transition method to adopt the new leases standard. Under the new transition method, a reporting entity would initially apply the new lease requirements at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; continue to report comparative periods presented in the financial statements in the period of adoption in accordance with legacy U.S. GAAP (i.e., ASC 840, *Leases*); and provide the required disclosures under ASC 840 for all periods presented under legacy U.S. GAAP. Further, ASU No. 2018-11 contains a practical expedient that allows lessors to avoid separating lease and associated non-lease components within a contract if certain criteria are met. In December 2018, the FASB issued ASU No. 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*, to clarify guidance for lessors on sales taxes and other similar taxes collected from lessees, certain lessor costs and recognition of variable payments for contracts with lease and non-lease components. In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842), Codification Improvements*, to clarify certain application and transitional disclosure aspects of the new leases standard. The amendments address determination of the fair value of the underlying asset by lessors that are not manufacturers or dealers and clarify interim period transition disclosure requirements, among other issues. The guidance in ASUs No. 2016-02, 2018-10, 2018-11 and 2018-20 was effective beginning January 1, 2019, with early adoption permitted; whereas the guidance in ASU No. 2019-01 was effective beginning January 1, 2020, with early adoption permitted. The Company adopted the abovementioned standards on January 1, 2019 using the effective date as the date of initial application. Therefore, pursuant to this transition method financial information was not updated and the disclosures required under the new leases standards were not provided for dates and periods before January 1, 2019. The guidance provides a number of optional practical expedients to be utilized by lessees upon transition. Accordingly, BGC elected the "package of practical expedients," which permitted the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. BGC did not elect the use-of-hindsight

or the practical expedient pertaining to land easements, with the latter not being applicable to the Company. The standard also provides practical expedients for an entity's ongoing accounting as a lessee. BGC elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize ROU assets and lease liabilities, and this includes not recognizing ROU assets and lease liabilities for existing short-term leases of those assets upon transition. The Company also elected the practical expedient to not separate lease and non-lease components for all of leases other than leases of real estate. As a result upon adoption, acting primarily as a lessee, BGC recognized a \$192.4 million ROU asset and a \$206.0 million lease liability on its unaudited condensed consolidated statements of financial condition for its real estate and equipment operating leases. The adoption of the guidance did not have a material impact on the Company's unaudited condensed consolidated statements of operations, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows. See Note 25—"Leases" for additional information on the Company's leasing arrangements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The guidance intends to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. Based on concerns about the sustainability of LIBOR, in 2017, a committee convened by the Federal Reserve Board and the Federal Reserve Bank of New York identified a broad Treasury repurchase agreement (repo) financing rate referred to as the SOFR as its preferred alternative reference rate. The guidance in ASU No. 2018-16 adds the OIS rate based on SOFR as a U.S. benchmark interest rate to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. The amendments in this ASU were required to be adopted concurrently with the guidance in ASU No. 2017-12. The guidance became effective for the Company on January 1, 2019 and was required to be applied on a prospective and modified retrospective basis. The adoption of this guidance did not have a material impact on BGC's unaudited condensed consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance helps organizations address certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act by providing an option to reclassify these stranded tax effects to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The standard became effective for BGC on January 1, 2019. The guidance was required to be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted the guidance starting on January 1, 2019. The adoption of the standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The guidance largely aligns the accounting for share-based payment awards issued to employees and nonemployees, whereby the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. The standard became effective for the Company on January 1, 2019. The ASU was required to be applied on a prospective basis to all new awards granted after the date of adoption. In addition, any liability-classified awards that were not settled and equity-classified awards for which a measurement date had not been established by the adoption date were remeasured at fair value as of the adoption date with a cumulative effect adjustment to opening retained earnings in the year of adoption. BGC adopted this standard on its effective date. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In July 2019, the FASB issued ASU No. 2019-07, *Codification Updates to SEC Sections—Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization, and Miscellaneous Updates*. The guidance clarifies or improves the disclosure and presentation requirements of a variety of codification topics by aligning them with already effective SEC final rules, thereby eliminating redundancies and making the codification easier to apply. This ASU was effective upon issuance, and it did not have a material impact on the Company's unaudited condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*, which requires financial assets that are measured at amortized cost to be presented, net of an allowance for credit losses, at the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets, as well as changes to credit losses during the period, are recognized in earnings. For certain PCD assets, the initial allowance for expected credit losses is recorded as an increase to the purchase price. Expected credit losses, including losses on off-balance-sheet exposures such as lending commitments, are measured based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The new standard became effective for the Company beginning January 1, 2020, under a modified retrospective approach, and early adoption was permitted. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, to clarify that operating lease receivables accounted for under ASC 842, *Leases*, are not in the scope of the new credit losses guidance, and, instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842, *Leases*. In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The ASU makes changes to the guidance introduced or amended by ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*. See below for the description of the amendments stipulated in ASU No. 2019-04. In addition, in May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*. The amendments in this ASU allow entities, upon adoption of ASU No. 2016-13, to irrevocably elect the fair value option for financial instruments that were previously carried at amortized cost and are eligible for the fair value option under ASC 825-10, *Financial Instruments: Overall*. In November 2019, the FASB issued ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The amendments in this ASU require entities to include certain expected recoveries of the amortized cost basis previously written off, or expected to be written off, in the allowance for credit losses for PCD assets; provide transition relief related to troubled debt restructurings; allow entities to exclude accrued interest amounts from certain required disclosures; and clarify the requirements for applying the collateral maintenance practical expedient. The amendments in ASUs No. 2018-19, 2019-04, 2019-05 and 2019-11 were required to be adopted concurrently with the guidance in ASU No. 2016-13. BGC adopted the standards on their required effective date beginning January 1, 2020. The primary effect of adoption related to the increase in the allowances for credit losses for Accrued commissions receivable, and Loans, forgivable loans and other receivables from employees and partners. As a result, on a pre-tax basis, the Company recognized a decrease in assets and noncontrolling interest in subsidiaries, and an increase in retained deficit, of approximately \$1.9 million, \$0.6 million, and \$1.3 million, respectively, as of January 1, 2020. The tax effect of the impact of the adoption was an increase in assets and noncontrolling interest in subsidiaries, and a decrease in retained deficit of approximately \$0.6 million, \$0.2 million, and \$0.4 million, respectively.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the ASU, goodwill impairment testing is performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The Company adopted the standard on its required effective date beginning January 1, 2020, and the guidance was applied on a prospective basis starting with the goodwill impairment test during the year ended December 31, 2020. The adoption of this standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance is part of the FASB's disclosure framework project, whose objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements. The ASU eliminates, amends and adds certain disclosure requirements for fair value measurements. The FASB concluded that these changes improve the overall usefulness of the footnote disclosures for financial statement users and reduce costs for preparers. Certain disclosures are required to be applied prospectively and other disclosures need to be adopted retrospectively in the period of adoption. As permitted by the transition guidance in the ASU, the Company early adopted, eliminated and modified disclosure requirements as of September 30, 2018. The early adoption of this guidance did not have an impact on the Company's unaudited condensed consolidated financial statements. The additional disclosure requirements were adopted by BGC beginning January 1, 2020, and the adoption of these fair value measurement disclosures did not have an impact on the Company's unaudited condensed consolidated financial statements. See Note 13—"Fair Value of Financial Assets and Liabilities" for additional information.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. The guidance on the accounting for implementation, setup, and other upfront costs (collectively referred to as implementation costs) applies to entities that are a customer in a hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred

to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the guidance in this ASU. BGC adopted the standard on its effective date beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The guidance was issued in response to stakeholders' observations that Topic 810, *Consolidation*, could be improved in the areas of applying the variable interest entity guidance to private companies under common control and in considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. BGC adopted the standard on its effective date beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The ASU amends guidance introduced or amended by ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*, ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, and ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments to ASU No. 2016-13 clarify the scope of the credit losses standard and address guidance related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other issues. With respect to amendments to ASU No. 2017-12, the guidance addresses partial-term fair value hedges, fair value hedge basis adjustments, and certain transition requirements, along with other issues. The clarifying guidance pertaining to ASU No. 2016-01 requires an entity to remeasure an equity security without a readily determinable fair value accounted for under the measurement alternative at fair value in accordance with guidance in ASC 820, *Fair Value Measurement*; specifies that equity securities without a readily determinable fair value denominated in nonfunctional currency must be remeasured at historical exchange rates; and provides fair value measurement disclosure guidance. BGC adopted the standard on the required effective date beginning January 1, 2020. The adoption of the hedge accounting and the recognition and measurement guidance amendments did not have a material impact on the Company's unaudited condensed consolidated financial statements. See above for the impact of adoption of the amendments related to the credit losses standard.

In November 2019, the FASB issued ASU No. 2019-08, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer*. The ASU simplifies and increases comparability of accounting for nonemployee share-based payments, specifically those made to customers. Under the guidance, such awards will be accounted for as a reduction of the transaction price in revenue, but should be measured and classified following the stock compensation guidance in ASC 718, *Compensation—Stock Compensation*. BGC adopted the standard on the required effective date beginning January 1, 2020. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU is part of the FASB's simplification initiative, and it is expected to reduce cost and complexity related to accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, *Income Taxes* related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. BGC adopted the standard on the required effective date beginning January 1, 2021 on a prospective basis. The adoption of the standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In January 2020, the FASB issued ASU No. 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 (a consensus of the FASB Emerging Issues Task Force)*. These amendments improve previous guidance by reducing diversity in practice and increasing comparability of the accounting for the interactions between these codification topics as they pertain to certain equity securities, investments under the equity method of accounting and forward contracts or purchased options to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option. BGC adopted the standard on the required effective date beginning January 1, 2021 on a prospective basis. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. This ASU makes narrow-scope amendments related to various aspects pertaining to financial instruments and related disclosures by clarifying or improving the Codification. For the most part, the guidance was effective upon issuance, and the adoption of the standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*. The standard amends the Codification by moving existing disclosure requirements to (or adding appropriate references in) the relevant disclosure sections. The ASU also clarifies various provisions of the Codification by amending and adding new headings, cross-referencing, and refining or correcting terminology. BGC adopted the standard on the required effective date beginning January 1, 2021 and was applied using a modified retrospective method of transition. The adoption of this guidance did not have an impact on the Company's unaudited condensed consolidated financial statements.

### ***New Accounting Pronouncements***

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, and borrowings) necessitated by reference rate reform as entities transition away from LIBOR and other interbank offered rates to alternative reference rates. This ASU also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by reference rate reform. Application of the guidance is optional and only available in certain situations. The ASU is effective upon issuance and generally can be applied through December 31, 2022. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The amendments in this standard are elective and principally apply to entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform (referred to as the "discounting transition"). The standard expands the scope of ASC 848, *Reference Rate Reform* and allows entities to elect optional expedients to derivative contracts impacted by the discounting transition. Similar to ASU No. 2020-04, provisions of this ASU are effective upon issuance and generally can be applied through December 31, 2022. Management is evaluating and planning for adoption of the new guidance, including forming a cross-functional LIBOR transition team to determine the Company's transition plan and facilitate an orderly transition to alternative reference rates, and continuing its assessment on the Company's unaudited condensed consolidated financial statements.

In August 2020, the FASB issued ASU No. 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*. The standard is expected to reduce complexity and improve comparability of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The ASU also enhances information transparency by making targeted improvements to the related disclosures guidance. Additionally, the amendments affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The new standard will become effective for the Company beginning January 1, 2022, can be applied using either a modified retrospective or a fully retrospective method of transition and early adoption is permitted. Management is currently evaluating the impact of the new standard on the Company's unaudited condensed consolidated financial statements.

## **2. Limited Partnership Interests in BGC Holdings and Newmark Holdings**

BGC Partners is a holding company with no direct operations and conducts substantially all of its operations through its operating subsidiaries. Virtually all of the Company's consolidated net assets and net income are those of consolidated variable interest entities. BGC Holdings is a consolidated subsidiary of the Company for which the Company is the general partner. The Company and BGC Holdings jointly own BGC U.S. OpCo and BGC Global OpCo, the two operating partnerships. In addition, Newmark Holdings is a consolidated subsidiary of Newmark for which Newmark is the general partner. Newmark and Newmark Holdings jointly own Newmark OpCo, the operating partnership. Listed below are the limited partnership interests in BGC Holdings and Newmark Holdings. The FPU, LPU and limited partnership interests held by Cantor, each as described below, collectively represent all of the limited partnership interests in BGC Holdings and Newmark Holdings.

As a result of the Separation, limited partnership interests in Newmark Holdings were distributed to the holders of limited partnership interests in BGC Holdings, whereby each holder of BGC Holdings limited partnership interests at that time who held a BGC Holdings limited partnership interest received a corresponding Newmark Holdings limited partnership interest, determined by the Contribution Ratio, which was equal to a BGC Holdings limited partnership interest multiplied by one divided by 2.2, divided by the Exchange Ratio. Initially, the Exchange Ratio equaled one, so that each Newmark Holdings limited partnership interest was exchangeable for one share of Newmark Class A common stock. For reinvestment, acquisition or other purposes, Newmark may determine on a quarterly basis to distribute to its stockholders a smaller percentage than Newmark Holdings distributes to its equity holders (excluding tax distributions from Newmark Holdings) of cash that it received from Newmark OpCo. In such circumstances, the Separation and Distribution Agreement provides that the Exchange Ratio will be reduced to reflect the amount of additional cash retained by Newmark as a result of the distribution of such smaller percentage, after the payment of taxes. The Exchange Ratio as of June 30, 2021 equaled 0.9403.



### ***Founding/Working Partner Units***

Founding/Working Partners have FPU's in BGC Holdings and Newmark Holdings. The Company accounts for FPU's outside of permanent capital, as "Redeemable partnership interest," in the Company's unaudited condensed consolidated statements of financial condition. This classification is applicable to Founding/Working Partner units because these units are redeemable upon termination of a partner, including a termination of employment, which can be at the option of the partner and not within the control of the issuer.

FPU's are held by limited partners who are employees and generally receive quarterly allocations of net income. Upon termination of employment or otherwise ceasing to provide substantive services, the FPU's are generally redeemed, and the unit holders are no longer entitled to participate in the quarterly allocations of net income. Since these allocations of net income are cash distributed on a quarterly basis and are contingent upon services being provided by the unit holder, they are reflected as a component of compensation expense under "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in the Company's unaudited condensed consolidated statements of operations.

### ***Limited Partnership Units***

Certain BGC employees hold LPU's in BGC Holdings and Newmark Holdings (e.g., REUs, RPU's, PSU's, and PSI's). Prior to the Separation, certain employees of both BGC and Newmark received LPU's in BGC Holdings. As a result of the Separation, these employees were distributed LPU's in Newmark Holdings equal to a BGC Holdings LPU multiplied by the Contribution Ratio. Subsequent to the Separation, BGC employees are only granted LPU's in BGC Holdings, and Newmark employees are only granted LPU's in Newmark Holdings.

Generally, LPU's receive quarterly allocations of net income, which are cash distributed and generally are contingent upon services being provided by the unit holder. As prescribed in U.S. GAAP guidance, following the Spin-Off, the quarterly allocations of net income on BGC Holdings and Newmark Holdings LPU's held by BGC employees are reflected as a component of compensation expense under "Equity-based compensation and allocations of net income to limited partnership units and FPU's" in the Company's unaudited condensed consolidated statements of operations, and the quarterly allocations of net income on BGC Holdings LPU's held by Newmark employees are reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations. From time to time, the Company also issues BGC LPU's as part of the consideration for acquisitions.

Certain of these LPU's in BGC Holdings and Newmark Holdings, such as REUs, entitle the holders to receive post-termination payments equal to the notional amount of the units in four equal yearly installments after the holder's termination. These LPU's held by BGC employees are accounted for as post-termination liability awards, and in accordance with U.S. GAAP guidance, the Company records compensation expense for the awards based on the change in value at each reporting date in the Company's unaudited condensed consolidated statements of operations as part of "Equity-based compensation and allocations of net income to limited partnership units and FPU's."

The Company has also awarded certain Preferred Units. Each quarter, the net profits of BGC Holdings and Newmark Holdings are allocated to such units at a rate of either 0.6875% (which is 2.75% per calendar year) or such other amount as set forth in the award documentation. These allocations are deducted before the calculation and distribution of the quarterly partnership distribution for the remaining partnership interests and are generally contingent upon services being provided by the unit holder. The Preferred Units are not entitled to participate in partnership distributions other than with respect to the Preferred Distribution. Preferred Units may not be made exchangeable into Class A common stock, and are only entitled to the Preferred Distribution; accordingly they are not included in the fully diluted share count. The quarterly allocations of net income on Preferred Units are reflected the same as those of the LPU's described above in the Company's unaudited condensed consolidated statements of operations. After deduction of the Preferred Distribution, the remaining partnership units generally receive quarterly allocations of net income based on their weighted-average pro rata share of economic ownership of the operating subsidiaries. Preferred Units are granted in connection with the grant of certain LPU's, such as PSU's, that may be granted exchangeability or redeemed in connection with the issuance of shares of common stock to cover the withholding taxes owed by the unit holder, rather than issuing the gross amount of shares to employees, subject to cashless withholding of shares to pay applicable withholding taxes.

### ***Cantor Units***

Cantor holds limited partnership interests in BGC Holdings. Cantor units are reflected as a component of "Noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of financial condition. Cantor receives allocations of net income (loss), which are cash distributed on a quarterly basis and are reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed

consolidated statements of operations. Cantor units in BGC Holdings are generally exchangeable for up to 23.6 million shares of BGC Class B common stock.

### ***General***

Certain of the limited partnership interests, described above, have been granted exchangeability into shares of BGC or Newmark Class A common stock, and additional limited partnership interests may become exchangeable into shares of BGC or Newmark Class A common stock. In addition, certain limited partnership interests have been granted the right to exchange into a partnership unit with a capital account, such as HDUs. HDUs have a stated capital account which is initially based on the closing trading price of Class A common stock at the time the HDU is granted. HDUs participate in quarterly partnership distributions and are generally not exchangeable into shares of Class A common stock.

Subsequent to the Spin-Off, limited partnership interests in BGC Holdings held by a partner or Cantor may become exchangeable for BGC Class A or BGC Class B common stock on a one-for-one basis, and limited partnership interests in Newmark Holdings held by a partner or Cantor may become exchangeable for a number of shares of Newmark Class A or Newmark Class B common stock equal to the number of limited partnership interests multiplied by the then-current Exchange Ratio. Because limited partnership interests are included in the Company's fully diluted share count, if dilutive, any exchange of limited partnership interests into shares of BGC Class A or BGC Class B common stock would not impact the fully diluted number of shares and units outstanding. Because these limited partnership interests generally receive quarterly allocations of net income, such exchange would have no significant impact on the cash flows or equity of the Company.

Each quarter, net income (loss) is allocated between the limited partnership interests and the Company's common stockholders. In quarterly periods in which the Company has a net loss, the loss allocation for FPU's, LPU's and Cantor units in BGC Holdings is allocated to Cantor and reflected as a component of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations. In subsequent quarters in which the Company has net income, the initial allocation of income to the limited partnership interests in BGC Holdings is to Cantor and is recorded as "Net income (loss) attributable to noncontrolling interests in subsidiaries," to recover any losses taken in earlier quarters, with the remaining income allocated to the limited partnership interests. This income (loss) allocation process has no impact on the net income (loss) allocated to common stockholders.

### **3. Summary of Significant Accounting Policies**

For a detailed discussion about the Company's significant accounting policies, see Note 3—"Summary of Significant Accounting Policies," in its consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020. During the six months ended June 30, 2021, there were no significant changes made to the Company's significant accounting policies.

### **4. Assets and Liabilities Held For Sale**

On May 26, 2021, the Company entered into an agreement to sell its Insurance brokerage business to The Ardonagh Group, subject to receipt of the required regulatory approvals and satisfaction of other closing conditions and approval, for \$500 million of cash consideration, subject to adjustments for working capital and other certain closing adjustments. As of June 30, 2021, the Company's Insurance brokerage business met the criteria to be classified as held for sale. As the business has met this criteria, the Company is required to record the respective assets and liabilities at the lower of carrying value or fair value less any costs to sell, and present the related assets and liabilities as separate line items in the unaudited condensed consolidated statements of financial condition.

The following table presents information related to the major classes of assets and liabilities that were classified as held for sale in the Company's unaudited condensed consolidated statements of financial condition as of June 30, 2021:

	June 30, 2021
Accrued commissions and other receivables, net	\$ 561,074
Cash segregated under regulatory requirements	274,107
Goodwill	69,725
Other intangible assets, net	56,031
Other assets	33,290
Cash and cash equivalents	28,571
Loans, forgivable loans and other receivables from employees and partners, net	14,496
Fixed assets, net	8,606
Other	2,959
Total assets held for sale	\$ 1,048,859
Accounts payable, accrued and other liabilities	\$ 839,872
Accrued compensation	10,233
Other	7
Total liabilities held for sale	\$ 850,112

No impairment charge was recorded for the three and six months ended June 30, 2021 as the carrying amount of the net assets was less than the fair value less costs to sell. Fair value was determined based on the sales price in the sales and purchase agreement. Further, the sale of the business did not represent a strategic shift that would have a major effect on operations and financial results and was, therefore, not classified as discontinued operations.

## 5. Acquisitions

### *Algomi*

On March 6, 2020, the Company completed the acquisition of Algomi, a software company operating under a SaaS model that provides technology to bond market participants to improve their workflow and liquidity by data aggregation, pre-trade information analysis, and execution facilitation.

### *Other Acquisitions*

During the year ended December 31, 2020, the Company completed several smaller acquisitions. The aggregate consideration paid for these acquisitions was not material to the Company's unaudited condensed consolidated financial statements. There were no acquisitions completed by the Company for the six months ended June 30, 2021.

### *Total Consideration*

The total consideration for acquisitions during the year ended December 31, 2020 was approximately \$9.6 million in total fair value which was paid in cash. The excess of the consideration over the fair value of the net assets acquired has been recorded as goodwill of approximately \$2.8 million.

The results of operations of the Company's acquisitions have been included in the Company's unaudited condensed consolidated financial statements subsequent to their respective dates of acquisition. The Company has made preliminary allocations of the consideration to the assets acquired and liabilities assumed as of the acquisition dates, and expects to finalize its analysis with respect to acquisitions within the first year after the completion of the respective transaction. Therefore, adjustments to preliminary allocations may occur.

## 6. Earnings Per Share

U.S. GAAP guidance establishes standards for computing and presenting EPS. Basic EPS excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding and contingent shares for which all necessary conditions have been satisfied except for the passage of time. Net income (loss) is allocated to the Company's outstanding common stock, FPU's, LPU's and Cantor units (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings").



### Basic Earnings Per Share:

The following is the calculation of the Company's basic EPS (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>Basic earnings (loss) per share:</i>				
Net income (loss) available to common stockholders	\$ 18,169	\$ 27,919	\$ 61,260	\$ 41,593
Basic weighted-average shares of common stock outstanding	384,902	360,614	379,639	359,308
Basic earnings (loss) per share	\$ 0.05	\$ 0.08	\$ 0.16	\$ 0.12

### Fully Diluted Earnings Per Share:

Fully diluted EPS is calculated utilizing net income (loss) available to common stockholders plus net income allocations to the limited partnership interests as the numerator. The denominator comprises the Company's weighted-average number of outstanding BGC shares of common stock, including contingent shares of BGC common stock, and, if dilutive, the weighted-average number of limited partnership interests, including contingent units of BGC Holdings, and other contracts to issue shares of BGC common stock, including RSUs. The limited partnership interests generally are potentially exchangeable into shares of BGC Class A common stock (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings") and are entitled to their pro-rata share of earnings after the deduction for the Preferred Distribution; as a result, they are included in the fully diluted EPS computation to the extent that the effect would be dilutive.

The following is the calculation of the Company's fully diluted EPS (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>Fully diluted earnings (loss) per share</i>				
Net income (loss) available to common stockholders	\$ 18,169	\$ 27,919	\$ 61,260	\$ 41,593
Allocations of net income (loss) to limited partnership interests, net of tax	7,854	12,254	27,011	17,905
Net income (loss) for fully diluted shares	\$ 26,023	\$ 40,173	\$ 88,271	\$ 59,498
<i>Weighted-average shares:</i>				
Common stock outstanding	384,902	360,614	379,639	359,308
Partnership units <sup>1</sup>	173,606	184,122	175,849	181,257
RSUs (Treasury stock method)	4,141	174	3,475	549
Other	1,274	1,213	1,247	1,276
Fully diluted weighted-average shares of common stock outstanding	563,923	546,123	560,210	542,390
Fully diluted earnings (loss) per share	\$ 0.05	\$ 0.07	\$ 0.16	\$ 0.11

<sup>1</sup> Partnership units collectively include FPU's, LPU's, and Cantor units (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for more information).

For the three and six months ended June 30, 2021, 31 thousand and 55 thousand of potentially dilutive securities, respectively, were excluded from the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive securities for both the three and six months ended June 30, 2021, comprised RSUs. For the three and six months ended June 30, 2020, 2.6 million and 0.4 million of potentially dilutive securities, respectively, were excluded from the computation of fully diluted EPS because their effect would have been anti-dilutive. Anti-dilutive securities for both the three and six months ended June 30, 2020, comprised RSUs.

As of June 30, 2021 and 2020, approximately 31.4 million and 26.7 million shares, respectively, of contingent shares of BGC Class A common stock, N units, RSUs, and LPU's were excluded from the fully diluted EPS computations because the conditions for issuance had not been met by the end of the respective periods.

## 7. Stock Transactions and Unit Redemptions

### Class A Common Stock

Changes in shares of BGC Class A common stock outstanding were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Shares outstanding at beginning of period	334,364	311,059	323,018	307,915
Share issuances:				
Redemptions/exchanges of limited partnership interests <sup>1</sup>	30,156	1,969	40,587	4,074
Vesting of RSUs	360	103	1,728	800
Acquisitions	537	15	787	285
Other issuances of BGC Class A common stock	5	177	266	249
Restricted stock forfeitures	(84)	—	(84)	—
Treasury stock repurchases	(16,543)	—	(17,507)	—
Shares outstanding at end of period	348,795	313,323	348,795	313,323

1. Included in redemptions/exchanges of limited partnership interests for the three months ended June 30, 2021 and 2020 are 13.8 million shares of BGC Class A common stock granted in connection with the cancellation of 14.6 million LPUs, and 0.7 million shares of BGC Class A common stock granted in connection with the cancellation of 0.6 million LPUs, respectively. Included in redemptions/exchanges of limited partnership interests for the six months ended June 30, 2021 and 2020 are 15.4 million shares of BGC Class A common stock granted in connection with the cancellation of 16.3 million LPUs, and 2.1 million shares of BGC Class A common stock granted in connection with the cancellation of 2.1 million LPUs, respectively. Because LPUs are included in the Company's fully diluted share count, if dilutive, redemptions/exchanges in connection with the issuance of BGC Class A common stock would not impact the fully diluted number of shares outstanding.

### ***Class B Common Stock***

The Company did not issue any shares of BGC Class B common stock during the three and six months ended June 30, 2021 and 2020. As of June 30, 2021 and December 31, 2020, there were 45.9 million shares of BGC Class B common stock outstanding.

### ***CEO Program***

On March 9, 2018, the Company entered into the March 2018 Sales Agreement, pursuant to which the Company may offer and sell up to an aggregate of \$300.0 million of shares of BGC Class A common stock under the CEO Program. Proceeds from shares of BGC Class A common stock sold under the March 2018 Sales Agreement may be used for the repurchase of shares and the redemptions of limited partnership interests in BGC Holdings, as well as for general corporate purposes, including acquisitions and the repayment of debt. CF&Co is a wholly-owned subsidiary of Cantor and an affiliate of the Company. Under the March 2018 Sales Agreement, the Company has agreed to pay CF&Co 2% of the gross proceeds from the sale of shares. The Company did not sell any shares under the March 2018 Sales Agreement during the three and six months ended June 30, 2021. As of June 30, 2021, the Company had sold 17.6 million shares of BGC Class A common stock (or \$210.8 million) under the March 2018 Sales Agreement. For additional information on the Company's CEO Program sales agreements, see Note 14—"Related Party Transactions." On March 8, 2021, we filed a replacement CEO Program shelf registration statement on Form S-3, which has not yet been declared effective, with respect to the issuance and sale of up to an aggregate of \$300.0 million of shares of BGC Class A common stock (inclusive of the \$89.2 million of shares remaining for sale under the current CEO Program) from time to time on a delayed or continuous basis.

### ***Unit Redemptions and Share Repurchase Program***

The Company's Board and Audit Committee have authorized repurchases of BGC Class A common stock and redemptions of limited partnership interests or other equity interests in the Company's subsidiaries. On August 1, 2018, the Company's Board and Audit Committee increased the BGC Partners share repurchase and unit redemption authorization to \$300.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. As of June 30, 2021, the Company had \$114.6 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares and/or redeem units.

The table below represents the units redeemed and/or shares repurchased for cash and does not include units redeemed/cancelled in connection with the grant of shares of BGC Class A common stock nor the limited partnership interests exchanged for shares of BGC Class A common stock. The gross unit redemptions and share repurchases of BGC Class A common stock during the three and six months ended June 30, 2021 were as follows (in thousands, except for weighted-average price data):

Period	Total Number of Units Redeemed or Shares Repurchased	Weighted-Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/ Purchased Under the Program
<b>Redemptions<sup>1,2</sup></b>			
January 1, 2021—March 31, 2021	20	\$ 4.40	
April 1, 2021—June 30, 2021	4,715	5.82	
<b>Total Redemptions</b>	4,735	\$ 5.82	
<b>Repurchases<sup>3,4</sup></b>			
January 1, 2021—March 31, 2021	965	\$ 4.56	
April 1, 2021—April 30, 2021	2	5.29	
May 1, 2021—May 31, 2021	1,018	5.59	
June 1, 2021—June 30, 2021	15,522	6.29	
<b>Total Repurchases</b>	17,507	\$ 6.16	
<b>Total Redemptions and Repurchases</b>	22,242	\$ 6.08	\$ 114,584

- During the three months ended June 30, 2021, the Company redeemed 4.7 million LPUs at an aggregate redemption price of \$27.3 million for a weighted-average price of \$5.84 per unit. During the three months ended June 30, 2021, the Company redeemed 44 thousand FPU's at an aggregate redemption price of \$181 thousand for a weighted-average price of \$4.06 per unit. During the three months ended June 30, 2020, the Company redeemed 0.1 million LPUs at an aggregate redemption price of \$0.3 million for a weighted-average price of \$3.05 per unit. During the three months ended June 30, 2020, the Company redeemed 1 thousand FPU's at an aggregate redemption price of \$4 thousand for an average price of \$3.07 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 13.8 million and 0.7 million shares of BGC Class A common stock during the three months ended June 30, 2021 and 2020, respectively, nor the limited partnership interests exchanged for 16.8 million and 1.3 million shares of BGC Class A common stock during the three months ended June 30, 2021 and 2020, respectively.
- During the six months ended June 30, 2021, the Company redeemed 4.7 million LPUs at an aggregate redemption price of \$27.3 million for an average price of \$5.83 per unit. During the six months ended June 30, 2021, the Company redeemed 51 thousand FPU's at an aggregate redemption price of \$209 thousand for an average price of \$4.11 per unit. During the six months ended June 30, 2020, the Company redeemed 0.3 million LPUs at an aggregate redemption price of \$1.3 million for an average price of \$3.92 per unit. During the six months ended June 30, 2020, the Company redeemed 1 thousand FPU's at an aggregate redemption price of \$4 thousand for an average price of \$3.07 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 15.4 million and 2.1 million shares of BGC Class A common stock during the six months ended June 30, 2021 and 2020, respectively, nor the limited partnership interests exchanged for 25.9 million and 1.8 million shares of BGC Class A common stock during the six months ended June 30, 2021 and 2020, respectively.
- During the three months ended June 30, 2021, the Company repurchased 16.5 million shares of BGC Class A common stock at an aggregate price of \$103.4 million for a weighted-average price of \$6.25 per share. The Company did not repurchase any shares of BGC Class A common stock during the three months ended June 30, 2020.
- During the six months ended June 30, 2021, the Company repurchased 17.5 million shares of BGC Class A common stock at an aggregate price of \$107.8 million for a weighted-average price of \$6.16 per share. The Company did not repurchase any shares of BGC Class A common stock during the six months ended June 30, 2020.

#### ***Redeemable Partnership Interest***

The changes in the carrying amount of FPU's were as follows (in thousands):

	Six Months Ended June 30,	
	2021	2020
Balance at beginning of period	\$ 20,674	\$ 23,638
Consolidated net income allocated to FPU's	958	255
Earnings distributions	(520)	—
FPU's exchanged	(509)	(470)
FPU's redeemed	(1,021)	(80)
Balance at end of period	<u>\$ 19,582</u>	<u>\$ 23,343</u>

## 8. Securities Owned

Securities owned primarily consist of unencumbered U.S. Treasury bills held for liquidity purposes. Total Securities owned were \$49.2 million and \$58.6 million as of June 30, 2021 and December 31, 2020, respectively. For additional information, see Note 13—"Fair Value of Financial Assets and Liabilities."

## 9. Collateralized Transactions

### *Repurchase Agreements*

Securities sold under Repurchase Agreements are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be repurchased, including accrued interest. As of both June 30, 2021 and December 31, 2020, Cantor had not facilitated any Repurchase Agreements between the Company and Cantor for the purpose of financing fails.

### *Securities Loaned*

As of both June 30, 2021 and December 31, 2020, the Company did not have any Securities loaned transactions with Cantor.

## 10. Marketable Securities

Marketable securities consist of the Company's ownership of equity securities carried at fair value in accordance with ASU 2016-01. The securities had a fair value of \$0.4 million and \$0.3 million as of June 30, 2021 and December 31, 2020, respectively.

These marketable securities are measured at fair value, with any changes in fair value recognized in earnings and included in "Other income (loss)" in the Company's unaudited condensed consolidated statements of operations. The Company recognized realized and unrealized net gains of \$21 thousand and \$33 thousand for the three months ended June 30, 2021 and 2020, respectively, related to sales of shares and the mark-to-market adjustments on shares and any related hedging transactions, when applicable. The Company recognized realized and unrealized net gains of \$10 thousand and \$0.3 million for the six months ended June 30, 2021 and 2020, respectively, related to sales of shares and the mark-to-market adjustments on shares and any related hedging transactions, when applicable.

During the six months ended June 30, 2021, the Company did not sell any marketable securities. During the six months ended June 30, 2020, the Company sold marketable securities with a fair value of \$14.2 million, at the time of sale. The Company did not purchase any marketable securities during the six months ended June 30, 2021 and 2020.

## 11. Receivables from and Payables to Broker-Dealers, Clearing Organizations, Customers and Related Broker-Dealers

Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers primarily represent amounts due for undelivered securities, cash held at clearing organizations and exchanges to facilitate settlement and clearance of matched principal transactions, spreads on matched principal transactions that have not yet been remitted from/to clearing organizations and exchanges and amounts related to open derivative contracts (see Note 12)

—“Derivatives”). As of June 30, 2021 and December 31, 2020, Receivables from and payables to broker-dealers, clearing organizations, customers and related broker-dealers consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to deliver	\$ 1,285,423	\$ 158,976
Receivables from clearing organizations	136,547	126,879
Other receivables from broker-dealers and customers	17,211	14,237
Net pending trades	10,909	2,999
Open derivative contracts <sup>1</sup>	5,243	931
Total	<u>\$ 1,455,333</u>	<u>\$ 304,022</u>
Payables to broker-dealers, clearing organizations, customers and related broker-dealers:		
Contract values of fails to receive	\$ 1,142,236	\$ 154,050
Payables to clearing organizations	133,892	12,373
Other payables to broker-dealers and customers	23,194	11,833
Open derivative contracts <sup>2</sup>	6,421	1,460
Total	<u>\$ 1,305,743</u>	<u>\$ 179,716</u>

1. Excludes \$310 thousand of Receivables from broker-dealers, clearing organizations, customers and related broker-dealers classified as Assets held for sale as of June 30, 2021.
2. Excludes \$7 thousand of Payables to broker-dealers, clearing organizations, customers and related broker-dealers classified as Liabilities held for sale as of June 30, 2021.

A portion of these receivables and payables are with Cantor. See Note 14—“Related Party Transactions,” for additional information related to these receivables and payables.

Substantially all open fails to deliver, open fails to receive and pending trade transactions as of June 30, 2021 have subsequently settled at the contracted amounts.

## 12. Derivatives

In the normal course of operations, the Company enters into derivative contracts. These derivative contracts primarily consist of FX swaps, FX/commodities options, futures and forwards. The Company enters into derivative contracts to facilitate client transactions, hedge principal positions and facilitate hedging activities of affiliated companies. Derivative contracts can be exchange-traded or OTC. Exchange-traded derivatives typically fall within Level 1 or Level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives using their closing prices. OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. For OTC derivatives that trade in liquid markets, such as forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. Such instruments are typically classified within Level 2 of the fair value hierarchy.

The Company does not designate any derivative contracts as hedges for accounting purposes. U.S. GAAP guidance requires that an entity recognize all derivative contracts as either assets or liabilities in the unaudited condensed consolidated statements of financial condition and measure those instruments at fair value. The fair value of all derivative contracts is recorded on a net-by-counterparty basis where a legal right to offset exists under an enforceable netting agreement. Derivative contracts are recorded as part of “Receivables from broker-dealers, clearing organizations, customers and related broker-dealers” and “Payables to broker-dealers, clearing organizations, customers and related broker-dealers” in the Company’s unaudited condensed consolidated statements of financial condition.

The fair value of derivative contracts, computed in accordance with the Company's netting policy, is set forth below (in thousands):

Derivative contract	June 30, 2021			December 31, 2020		
	Assets	Liabilities	Notional Amounts <sup>1</sup>	Assets	Liabilities	Notional Amounts <sup>1</sup>
FX/commodities options	\$ —	\$ —	\$ —	\$ 74	\$ —	\$ 4,844
Forwards <sup>2</sup>	690	653	216,829	295	215	302,141
FX swaps	4,553	4,551	610,762	562	319	513,588
Futures	—	1,217	18,307,688	—	926	6,113,220
Total	<u>\$ 5,243</u>	<u>\$ 6,421</u>	<u>\$ 19,135,279</u>	<u>\$ 931</u>	<u>\$ 1,460</u>	<u>\$ 6,933,793</u>

1 Notional amounts represent the sum of gross long and short derivative contracts, an indication of the volume of the Company's derivative activity, and do not represent anticipated losses.

2 Excludes \$30 thousand derivative assets and \$7 thousand derivative liabilities classified as Assets held for sale and Liabilities held for sale, respectively, as of June 30, 2021.

Certain of the Company's FX swaps are with Cantor. See Note 14—"Related Party Transactions," for additional information related to these transactions.

The replacement costs of contracts in a gain position were \$5.2 million and \$0.9 million, as of June 30, 2021 and December 31, 2020, respectively.

The following tables present information about the offsetting of derivative instruments (in thousands):

June 30, 2021			
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition <sup>1</sup>
<b>Assets</b>			
Forwards <sup>2</sup>	\$ 948	\$ (258)	\$ 690
FX swaps	5,729	(1,176)	4,553
Futures	75,703	(75,703)	—
Total derivative assets	<u>\$ 82,380</u>	<u>\$ (77,137)</u>	<u>\$ 5,243</u>
<b>Liabilities</b>			
FX swaps	5,727	(1,176)	4,551
Forwards <sup>2</sup>	911	(258)	653
Futures	76,920	(75,703)	1,217
Total derivative liabilities	<u>\$ 83,558</u>	<u>\$ (77,137)</u>	<u>\$ 6,421</u>
December 31, 2020			
	Gross Amounts	Gross Amounts Offset	Net Amounts Presented in the Statements of Financial Condition <sup>1</sup>
<b>Assets</b>			
FX/commodities options	\$ 74	\$ —	\$ 74
Forwards	338	(43)	295
FX swaps	583	(21)	562
Futures	41,257	(41,257)	—
Total derivative assets	<u>\$ 42,252</u>	<u>\$ (41,321)</u>	<u>\$ 931</u>
<b>Liabilities</b>			
FX swaps	\$ 340	\$ (21)	\$ 319
Forwards	258	(43)	215
Futures	42,183	(41,257)	926
Total derivative liabilities	<u>\$ 42,781</u>	<u>\$ (41,321)</u>	<u>\$ 1,460</u>

1 There were no additional balances in gross amounts not offset as of June 30, 2021 and December 31, 2020.

2 Excludes \$30 thousand derivative assets and \$7 thousand derivative liabilities classified as Assets held for sale and Liabilities held for sale, respectively, as of June 30, 2021.

The change in fair value of derivative contracts is reported as part of “Principal transactions” in the Company’s unaudited condensed consolidated statements of operations. The change in fair value of equity options related to marketable securities is included as part of “Other income (loss)” in the Company’s unaudited condensed consolidated statements of operations.

The table below summarizes gains and (losses) on derivative contracts (in thousands):

Derivative contract	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Futures	\$ 3,321	\$ 2,724	\$ 7,155	\$ 5,488
FX/commodities options	78	143	164	198
Forwards	(63)	116	(28)	(1,152)
FX swaps	140	89	138	325
Gains	<u>\$ 3,476</u>	<u>\$ 3,072</u>	<u>\$ 7,429</u>	<u>\$ 4,859</u>

### 13. Fair Value of Financial Assets and Liabilities

#### Fair Value Measurements on a Recurring Basis

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

Level 1 measurements—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 measurements—Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 measurements—Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As required by U.S. GAAP guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under U.S. GAAP guidance (in thousands):

Assets at Fair Value at June 30, 2021					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Marketable securities	\$ 360	\$ —	\$ —	\$ —	\$ 360
Government debt	47,959	—	—	—	47,959
Securities owned—Equities	110	—	—	—	110
Forwards <sup>1</sup>	—	948	—	(258)	690
FX swaps	—	5,729	—	(1,176)	4,553
Futures	—	75,703	—	(75,703)	—
Corporate bonds	—	1,153	—	—	1,153
Total	\$ 48,429	\$ 83,533	\$ —	\$ (77,137)	\$ 54,825

Liabilities at Fair Value at June 30, 2021					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
FX swaps	\$ —	\$ 5,727	\$ —	\$ (1,176)	\$ 4,551
Forwards <sup>1</sup>	—	911	—	(258)	653
Futures	—	76,920	—	(75,703)	1,217
Contingent consideration	—	—	32,975	—	32,975
Total	\$ —	\$ 83,558	\$ 32,975	\$ (77,137)	\$ 39,396

1. Excludes \$30 thousand derivative assets and \$7 thousand derivative liabilities classified as Assets held for sale and Liabilities held for sale, respectively, as of June 30, 2021.



Assets at Fair Value at December 31, 2020					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Marketable securities	\$ 349	\$ —	\$ —	\$ —	\$ 349
Government debt	57,918	—	—	—	57,918
Securities owned—Equities	75	—	—	—	75
FX/commodities options	74	—	—	—	74
Forwards	—	338	—	(43)	295
FX swaps	—	583	—	(21)	562
Futures	—	41,257	—	(41,257)	—
Corporate bonds	—	579	—	—	579
Total	\$ 58,416	\$ 42,757	\$ —	\$ (41,321)	\$ 59,852

Liabilities at Fair Value at December 31, 2020					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
Futures	\$ —	\$ 42,183	\$ —	\$ (41,257)	\$ 926
FX swaps	—	340	—	(21)	319
Forwards	—	258	—	(43)	215
Contingent consideration	—	—	39,791	—	39,791
Total	\$ —	\$ 42,781	\$ 39,791	\$ (41,321)	\$ 41,251

### Level 3 Financial Liabilities

Changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended June 30, 2021 were as follows (in thousands):

	Opening Balance at April 1, 2021	Total realized and unrealized (gains) losses included in Net income (loss)	Unrealized (gains) losses included in Other comprehensive income (loss) <sup>1</sup>	Purchases/ Issuances	Sales/ Settlements	Closing Balance at June 30, 2021	Unrealized (gains) losses for the period included in:	
							Net income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2021	Other comprehensive income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2021
<b>Liabilities</b>								
Accounts payable, accrued and other liabilities:								
Contingent consideration	\$ 40,056	\$ 838	\$ —	\$ —	\$ (7,919)	\$ 32,975	\$ 838	\$ —

<sup>1</sup> Unrealized gains (losses) are reported in “Foreign currency translation adjustments,” in the Company’s unaudited condensed consolidated statements of comprehensive income (loss).

Changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended June 30, 2020 were as follows (in thousands):

							Unrealized (gains) losses for the period included in:	
	Opening Balance at April 1, 2020	Total realized and unrealized (gains) losses included in Net income (loss) <sup>1</sup>	Unrealized (gains) losses included in Other comprehensive income (loss) <sup>2</sup>	Purchases/ Issuances	Sales/ Settlements	Closing Balance at June 30, 2020	Net income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2020	Other comprehensive income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2020
Liabilities								
Accounts payable, accrued and other liabilities:								
Contingent consideration	\$ 38,709	\$ 772	\$ 8	\$ —	\$ (4,382)	\$ 35,107	\$ 772	\$ 8

<sup>1</sup> Realized and unrealized gains (losses) are reported in “Other expenses” and “Other income (loss),” as applicable, in the Company’s unaudited condensed consolidated statements of operations.

<sup>2</sup> Unrealized gains (losses) are reported in “Foreign currency translation adjustments,” in the Company’s unaudited condensed consolidated statements of comprehensive income (loss).

Changes in Level 3 liabilities measured at fair value on a recurring basis for the six months ended June 30, 2021 were as follows (in thousands):

							Unrealized (gains) losses for the period included in:	
Opening Balance at January 1, 2021	Total realized and unrealized (gains) losses included in Net income (loss)	Unrealized (gains) losses included in Other comprehensive income (loss) <sup>1</sup>	Purchases/ Issuances	Sales/ Settlements	Closing Balance at June 30, 2021	Net income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2021	Other comprehensive income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2021	
Liabilities								
Accounts payable, accrued and other liabilities:								
Contingent consideration	\$ 39,791	\$ 1,939	\$ —	\$ —	\$ (8,755)	\$ 32,975	\$ 1,939	\$ —

<sup>1</sup> Unrealized gains (losses) are reported in “Foreign currency translation adjustments,” in the Company’s unaudited condensed consolidated statements of comprehensive income (loss).

Changes in Level 3 liabilities measured at fair value on a recurring basis for the six months ended June 30, 2020 were as follows (in thousands):

							Unrealized (gains) losses for the period included in:	
	Opening Balance at January 1, 2020	Total realized and unrealized (gains) losses included in Net income (loss) <sup>1</sup>	Unrealized (gains) losses included in Other comprehensive income (loss) <sup>2</sup>	Purchases/ Issuances	Sales/ Settlements	Closing Balance at June 30, 2020	Net income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2020	Other comprehensive income (loss) on Level 3 Assets / Liabilities Outstanding at June 30, 2020
Liabilities								
Accounts payable, accrued and other liabilities:								
Contingent consideration	\$ 42,159	\$ (369)	\$ 67	\$ 2,959	\$ (9,709)	\$ 35,107	\$ (369)	\$ 67

- <sup>1</sup> Realized and unrealized gains (losses) are reported in “Other expenses” and “Other income (loss),” as applicable, in the Company’s unaudited condensed consolidated statements of operations.
- <sup>2</sup> Unrealized gains (losses) are reported in “Foreign currency translation adjustments,” in the Company’s unaudited condensed consolidated statements of comprehensive income (loss).

#### ***Quantitative Information About Level 3 Fair Value Measurements on a Recurring Basis***

The following tables present quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurement of Level 3 liabilities measured at fair value on a recurring basis (in thousands):

<b>Fair Value as of June 30, 2021</b>						
	<b>Assets</b>	<b>Liabilities</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>	<b>Weighted Average</b>
				Discount rate <sup>1</sup>	6.8%-10.3%	9.5%
Contingent consideration	\$ —	\$ 32,975	Present value of expected payments	Probability of meeting earnout and contingencies	39%-100%	81.4% <sup>2</sup>

<sup>1</sup> The discount rate is based on the Company’s calculated weighted-average cost of capital.

<sup>2</sup> The probability of meeting the earnout targets was based on the acquirees’ projected future financial performance, including revenues.

<b>Fair Value as of December 31, 2020</b>						
	<b>Assets</b>	<b>Liabilities</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>	<b>Weighted Average</b>
				Discount rate <sup>1</sup>	6.8%-10.3%	9.5%
Contingent consideration	\$ —	\$ 39,791	Present value of expected payments	Probability of meeting earnout and contingencies	39%-100%	82.9% <sup>2</sup>

<sup>1</sup> The discount rate is based on the Company’s calculated weighted-average cost of capital.

<sup>2</sup> The probability of meeting the earnout targets was based on the acquirees’ projected future financial performance, including revenues.

#### ***Information About Uncertainty of Level 3 Fair Value Measurements***

The significant unobservable inputs used in the fair value of the Company’s contingent consideration are the discount rate and forecasted financial information. Significant increases (decreases) in the discount rate would have resulted in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the forecasted financial information would have resulted in a significantly higher (lower) fair value measurement. As of June 30, 2021 and December 31, 2020, the present value of expected payments related to the Company’s contingent consideration was \$33.0 million and \$39.8 million, respectively. The undiscounted value of the payments, assuming that all contingencies are met, would be \$45.5 million and \$53.4 million, as of June 30, 2021 and December 31, 2020, respectively.

#### **Fair Value Measurements on a Non-Recurring Basis**

Pursuant to the recognition and measurement guidance for equity investments, effective January 1, 2018, equity investments carried under the measurement alternative are remeasured at fair value on a non-recurring basis to reflect observable transactions which occurred during the period. The Company applied the measurement alternative to equity securities with the fair value of \$82.0 million and \$83.0 million, which were included in “Other assets” in the Company’s unaudited condensed consolidated statements of financial condition as of June 30, 2021 and December 31, 2020, respectively. These investments are classified within Level 2 in the fair value hierarchy, because their estimated fair value is based on valuation methods using the observable transaction price at the transaction date.

### **14. Related Party Transactions**

#### ***Service Agreements***

Throughout Europe and Asia, the Company provides Cantor with administrative services, technology services and other support for which it charges Cantor based on the cost of providing such services plus a mark-up, generally 7.5%. In the U.K., the Company provides these services to Cantor through Tower Bridge. The Company owns 52% of Tower Bridge and consolidates it, and Cantor owns 48%. Cantor's interest in Tower Bridge is reflected as a component of "Noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of financial condition, and the portion of Tower Bridge's income attributable to Cantor is included as part of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations. In the U.S., the Company provides Cantor with technology services for which it charges Cantor based on the cost of providing such services.

The administrative services agreement provides that direct costs incurred are charged back to the service recipient. Additionally, the service recipient generally indemnifies the service provider for liabilities that it incurs arising from the provision of services other than liabilities arising from fraud or willful misconduct of the service provider. In accordance with the administrative service agreement, the Company has not recognized any liabilities related to services provided to affiliates.

For the three months ended June 30, 2021 and 2020, Cantor's share of the net profit (loss) in Tower Bridge was \$0.5 million and \$0.4 million, respectively. For the six months ended June 30, 2021 and 2020, Cantor's share of the net profit (loss) in Tower Bridge was \$0.6 million and \$0.2 million, respectively. This net profit is included as part of "Net income (loss) attributable to noncontrolling interest in subsidiaries" in the Company's unaudited condensed consolidated statements of operations.

On September 21, 2018, the Company entered into agreements to provide a guarantee and related obligation to Tower Bridge in connection with an office lease for the Company's headquarters in London. The Company is obligated to guarantee the obligations of Tower Bridge in the event of certain defaults under the applicable lease and ancillary arrangements. In July 2018, the Audit Committee also authorized management of the Company to enter into similar guarantees or provide other forms of credit support to Tower Bridge or other affiliates of the Company from time to time in the future in similar circumstances and on similar terms and conditions.

For the three months ended June 30, 2021 and 2020, the Company recognized related party revenues of \$4.2 million and \$6.6 million, respectively, for the services provided to Cantor. For the six months ended June 30, 2021 and 2020, the Company recognized related party revenues of \$8.0 million and \$12.1 million, respectively, for the services provided to Cantor. These revenues are included as part of "Fees from related parties" in the Company's unaudited condensed consolidated statements of operations.

In the U.S., Cantor and its affiliates provide the Company with administrative services and other support for which Cantor charges the Company based on the cost of providing such services. In connection with the services Cantor provides, the Company and Cantor entered into an administrative services agreement whereby certain employees of Cantor are deemed leased employees of the Company. For the three months ended June 30, 2021 and 2020, the Company was charged \$20.0 million and \$15.2 million, respectively, for the services provided by Cantor and its affiliates, of which \$15.5 million and \$10.1 million, respectively, were to cover compensation to leased employees for these periods. For the six months ended June 30, 2021 and 2020, the Company was charged \$41.1 million and \$31.1 million, respectively, for the services provided by Cantor and its affiliates, of which \$31.4 million and \$20.6 million, respectively, were to cover compensation to leased employees for these periods. The fees charged by Cantor for administrative and support services, other than those to cover the compensation costs of leased employees, are included as part of "Fees to related parties" in the Company's unaudited condensed consolidated statements of operations. The fees charged by Cantor to cover the compensation costs of leased employees are included as part of "Compensation and employee benefits" in the Company's unaudited condensed consolidated statements of operations.

### ***Newmark Spin-Off***

The Separation and Distribution Agreement sets forth the agreements among BGC, Cantor, Newmark and their respective subsidiaries. For additional information, see Note 1—"Organization and Basis of Presentation" and Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" of this Quarterly Report on Form 10-Q, and Note 1—"Organization and Basis of Presentation," Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" and Note 16—"Related Party Transactions" to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020.

Subsequent to the Spin-Off, there are remaining partners who hold limited partnership interests in BGC Holdings who are Newmark employees, and there are remaining partners who hold limited partnership interests in Newmark Holdings who are BGC employees. These limited partnership interests represent interests that were held prior to the Newmark IPO or were distributed in connection with the Separation. Following the Newmark IPO, employees of BGC and Newmark only receive limited partnership interests in BGC Holdings and Newmark Holdings, respectively. As a result of the Spin-Off, as the existing limited partnership interests in BGC Holdings held by Newmark employees and the existing limited partnership interests in

Newmark Holdings held by BGC employees are exchanged/redeemed, the related capital can be contributed to and from Cantor, respectively.

#### ***Clearing Agreement with Cantor***

The Company receives certain clearing services from Cantor pursuant to its clearing agreement. These clearing services are provided in exchange for payment by the Company of third-party clearing costs and allocated costs. The costs associated with these payments are included as part of “Fees to related parties” in the Company’s unaudited condensed consolidated statements of operations. The costs for these services are included as part of the charges to BGC for services provided by Cantor and its affiliates as discussed in “Service Agreements” above.

#### ***Other Agreements with Cantor***

The Company is authorized to enter into short-term arrangements with Cantor to cover any delivery failures in connection with U.S. Treasury securities transactions and to share equally in any net income resulting from such transactions, as well as any similar clearing and settlement issues. As of both June 30, 2021, and December 31, 2020, Cantor had not facilitated any Repurchase Agreements between the Company and Cantor.

To more effectively manage the Company’s exposure to changes in FX rates, the Company and Cantor have agreed to jointly manage the exposure. As a result, the Company is authorized to divide the quarterly allocation of any profit or loss relating to FX currency hedging between the Company and Cantor. The amount allocated to each party is based on the total net exposure for the Company and Cantor. The ratio of gross exposures of the Company and Cantor is utilized to determine the shares of profit or loss allocated to each for the period. For the three months ended June 30, 2021 and 2020, the Company recognized its share of FX losses of \$0.2 million and \$0.8 million, respectively. During the six months ended June 30, 2021 and 2020, the Company recognized its share of FX losses of \$23 thousand and \$0.2 million, respectively. These losses are included as part of “Other expenses” in the Company’s unaudited condensed consolidated statements of operations.

Pursuant to the separation agreement relating to the Company’s acquisition of certain BGC businesses from Cantor in 2008, Cantor has a right, subject to certain conditions, to be the Company’s customer and to pay the lowest commissions paid by any other customer, whether by volume, dollar or other applicable measure. In addition, Cantor has an unlimited right to internally use market data from the Company without any cost. Any future related-party transactions or arrangements between the Company and Cantor are subject to the prior approval by the Audit Committee. During the three months ended June 30, 2021 and 2020, the Company recorded revenues from Cantor entities of \$37 thousand and \$9 thousand, respectively, related to commissions paid to the Company by Cantor. For the six months ended June 30, 2021 and 2020, the Company recorded revenues from Cantor entities of \$62 thousand and \$84 thousand, respectively, related to commissions paid to the Company by Cantor. These revenues are included as part of “Commissions” in the Company’s unaudited condensed consolidated statements of operations.

The Company and Cantor are authorized to utilize each other’s brokers to provide brokerage services for securities not brokered by such entity, so long as, unless otherwise agreed, such brokerage services were provided in the ordinary course and on terms no less favorable to the receiving party than such services are provided to typical third-party customers.

In August 2013, the Audit Committee authorized the Company to invest up to \$350.0 million in an asset-backed commercial paper program for which certain Cantor entities serve as placement agent and referral agent. The program issues short-term notes to money market investors and is expected to be used by the Company from time to time as a liquidity management vehicle. The notes are backed by assets of highly rated banks. The Company is entitled to invest in the program so long as the program meets investment policy guidelines, including policies related to ratings. Cantor will earn a spread between the rate it receives from the short-term note issuer and the rate it pays to the Company on any investments in this program. This spread will be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program. As of both June 30, 2021 and December 31, 2020, the Company did not have any investments in the program.

On June 5, 2015, the Company entered into the Exchange Agreement with Cantor providing Cantor, CFGM and other Cantor affiliates entitled to hold BGC Class B common stock the right to exchange from time to time, on a one-to-one basis, subject to adjustment, up to an aggregate of 34.6 million shares of BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34.6 million shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of Cantor units owned in BGC Holdings, are already included in the Company’s fully diluted share count and will not increase Cantor’s current maximum potential voting power in the common equity. The Exchange Agreement enabled the Cantor entities to acquire the same number of shares of BGC Class B common stock that they were already entitled to acquire without having to exchange its Cantor units in BGC Holdings. The Audit Committee and Board determined that it was in the best interests of the Company and its stockholders to approve the Exchange Agreement because it will help ensure that Cantor retains its units in BGC Holdings, which is the same

partnership in which the Company's partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees.

On November 23, 2018, in the Class B Issuance, BGC Partners issued 10.3 million shares of BGC Partners Class B common stock to Cantor and 0.7 million shares of BGC Partners Class B common stock to CFGM, in each case in exchange for shares of BGC Class A common stock owned by Cantor and CFGM, respectively, on a one-to-one basis pursuant to the Exchange Agreement. Pursuant to the Exchange Agreement, no additional consideration was paid to BGC Partners by Cantor or CFGM for the Class B Issuance. Following this exchange, Cantor and its affiliates have the right to exchange under the Exchange Agreement up to an aggregate of 23.6 million shares of BGC Class A common stock, now owned or subsequently acquired, or its Cantor units in BGC Holdings, into shares of BGC Class B common stock. As of June 30, 2021, Cantor and CFGM do not own any shares of BGC Class A common stock.

The Company and Cantor have agreed that any shares of BGC Class B common stock issued in connection with the Exchange Agreement would be deducted from the aggregate number of shares of BGC Class B common stock that may be issued to the Cantor entities upon exchange of Cantor units in BGC Holdings. Accordingly, the Cantor entities will not be entitled to receive any more shares of BGC Class B common stock under this agreement than they were previously eligible to receive upon exchange of exchangeable limited partnership units.

On March 19, 2018, the Company entered into the BGC Credit Agreement with Cantor. The BGC Credit Agreement provides for each party and certain of its subsidiaries to issue loans to the other party or any of its subsidiaries in the lender's discretion in an aggregate principal amount up to \$250.0 million outstanding at any time. The BGC Credit Agreement replaced the previous Credit Facility between BGC and an affiliate of Cantor. On August 6, 2018, the Company entered into an amendment to the BGC Credit Agreement, which increased the aggregate principal amount that could be loaned to the other party or any of its subsidiaries from \$250.0 million to \$400.0 million that can be outstanding at any time. The BGC Credit Agreement will mature on the earlier to occur of (a) March 19, 2022, after which the maturity date of the BGC Credit Agreement will continue to be extended for successive one-year periods unless prior written notice of non-extension is given by a lending party to a borrowing party at least six months in advance of such renewal date and (b) the termination of the BGC Credit Agreement by either party pursuant to its terms. The outstanding amounts under the BGC Credit Agreement will bear interest for any rate period at a per annum rate equal to the higher of BGC's or Cantor's short-term borrowing rate in effect at such time plus 1.00%. As of both June 30, 2021 and December 31, 2020, there were no borrowings by BGC or Cantor outstanding under this Agreement. The Company did not record any interest expense related to the Agreement for the three and six months ended June 30, 2021. The Company recorded interest expense of \$0.4 million for the three and six months ended June 30, 2020.

As part of the Company's cash management process, the Company may enter into tri-party reverse repurchase agreements and other short-term investments, some of which may be with Cantor. As of both June 30, 2021 and December 31, 2020, the Company had no reverse repurchase agreements.

#### ***Receivables from and Payables to Related Broker-Dealers***

Amounts due to or from Cantor and Freedom, one of the Company's equity method investments, are for transactional revenues under a technology and services agreement with Freedom, as well as for open derivative contracts. These are included as part of "Receivables from broker-dealers, clearing organizations, customers and related broker-dealers" or "Payables to broker-dealers, clearing organizations, customers and related broker-dealers" in the Company's unaudited condensed consolidated statements of financial condition. As of June 30, 2021 and December 31, 2020, the Company had receivables from Freedom of \$2.1 million and \$1.4 million, respectively. As of June 30, 2021 and December 31, 2020, the Company had \$4.6 million and \$0.6 million, respectively, in receivables from Cantor related to open derivative contracts. As of June 30, 2021 and December 31, 2020, the Company had \$4.5 million and \$0.1 million, respectively, in payables to Cantor related to open derivative contracts. As of June 30, 2021 and December 31, 2020, the Company had \$20.1 million and \$26.0 million, respectively, in payables to Cantor related to fails and pending trades.

#### ***Loans, Forgivable Loans and Other Receivables from Employees and Partners, Net***

The Company has entered into various agreements with certain employees and partners whereby these individuals receive loans which may be either wholly or in part repaid from the distributions that the individuals receive on some or all of their LPUs and from proceeds of the sale of the employees' shares of BGC Class A common stock, or may be forgiven over a period of time. The forgivable portion of these loans is recognized as compensation expense over the life of the loan. From time to time, the Company may also enter into agreements with employees and partners to grant bonus and salary advances or other types of loans. These advances and loans are repayable in the timeframes outlined in the underlying agreements.

As of June 30, 2021 and December 31, 2020, the aggregate balance of employee loans, net, was \$370.8 million and \$408.1 million, respectively, and is included as “Loans, forgivable loans and other receivables from employees and partners, net” in the Company’s unaudited condensed consolidated statements of financial condition. The June 30, 2021 balance above excludes \$14.5 million of employee loans classified as Assets held for sale as of June 30, 2021. Compensation expense for the above-mentioned employee loans for the three months ended June 30, 2021 and 2020 was \$19.1 million and \$17.1 million, respectively. Compensation expense (benefit) for the above-mentioned employee loans for the six months ended June 30, 2021 and 2020 was \$34.7 million and \$31.6 million, respectively. The compensation expense related to these employee loans is included as part of “Compensation and employee benefits” in the Company’s unaudited condensed consolidated statements of operations.

Interest income on the above-mentioned employee loans for the three months ended June 30, 2021 and 2020 was \$3.3 million and \$1.7 million, respectively. Interest income on the above-mentioned employee loans for the six months ended June 30, 2021 and 2020 was \$5.5 million and \$4.4 million, respectively. The interest income related to these employee loans is included as part of “Interest and dividend income” in the Company’s unaudited condensed consolidated statements of operations.

#### ***CEO Program and Other Transactions with CF&Co***

As discussed in Note 7—“Stock Transactions and Unit Redemptions,” the Company has entered into the March 2018 Sales Agreement with CF&Co, as the Company’s sales agent under the CEO Program. During the three and six months ended June 30, 2021, the Company did not sell any shares of Class A common stock under the March 2018 Sales Agreement. During the three months ended June 30, 2020, the Company did not sell any shares of Class A common stock under the March 2018 Sales Agreement. During the six months ended June 30, 2020, the Company sold 0.2 million shares under the March 2018 Sales Agreement for aggregate proceeds of \$0.7 million, at a weighted-average price of \$4.04 per share. For the three and six months ended June 30, 2021, the Company was not charged for services provided by CF&Co related to the CEO Program with CF&Co. For the three months ended June 30, 2020, the Company was not charged for services provided by CF&Co related to the CEO Program with CF&Co. For the six months ended June 30, 2020, the Company was charged \$7 thousand for services provided by CF&Co related to the Company’s Sales Agreements with CF&Co. The net proceeds of the shares sold are included as part of “Additional paid-in capital” in the Company’s unaudited condensed consolidated statements of financial condition.

The Company has engaged CF&Co and its affiliates to act as financial advisors in connection with one or more third-party business combination transactions as requested by the Company on behalf of its affiliates from time to time on specified terms, conditions and fees. The Company may pay finders’, investment banking or financial advisory fees to broker-dealers, including, but not limited to, CF&Co and its affiliates, from time to time in connection with certain business combination transactions, and, in some cases, the Company may issue shares of BGC Class A common stock in full or partial payment of such fees.

On October 3, 2014, management was granted approval by the Board and Audit Committee to enter into stock loan transactions with CF&Co utilizing equities securities. Such stock loan transactions will bear market terms and rates. As of June 30, 2021, the Company did not have any Securities loaned transactions with CF&Co. As of December 31, 2020, the Company did not have any Securities loaned transactions with CF&Co. Securities loaned transactions are included in “Securities loaned” in the Company’s unaudited condensed consolidated statements of financial condition.

On May 27, 2016, the Company issued an aggregate of \$300.0 million principal amount of 5.125% Senior Notes. In connection with this issuance of the 5.125% Senior Notes, the Company recorded \$0.5 million in underwriting fees payable to CF&Co and \$18 thousand to CastleOak Securities, L.P. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes. Cantor tendered \$15.0 million of such senior notes in the tender offer completed on August 14, 2020, and did not hold such notes as of June 30, 2021.

On July 24, 2018, the Company issued an aggregate of \$450.0 million principal amount of 5.375% Senior Notes. The 5.375% Senior Notes are general senior unsecured obligations of the Company. In connection with this issuance of the 5.375% Senior Notes, the Company recorded approximately \$0.3 million in underwriting fees payable to CF&Co and \$41 thousand were underwriting fees paid to CastleOak Securities, L.P. The Company also paid CF&Co an advisory fee of \$0.2 million in connection with the issuance. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes.

On September 27, 2019, the Company issued an aggregate of \$300.0 million principal amount of 3.750% Senior Notes. In connection with this issuance of the 3.750% Senior Notes, the Company recorded \$0.2 million in underwriting fees payable to CF&Co and \$36 thousand to CastleOak Securities, L.P. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes.



On June 11, 2020, the Company's Board of Directors and its Audit Committee authorized a debt repurchase program for the repurchase by the Company of up to \$50.0 million of Company Debt Securities. Repurchases of Company Debt Securities, if any, are expected to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption. Under the authorization, the Company may make repurchases of Company Debt Securities for cash from time to time in the open market or in privately negotiated transactions upon such terms and at such prices as management may determine. Additionally, the Company is authorized to make any such repurchases of Company Debt Securities through CF&Co (or its affiliates), in its capacity as agent or principal, or such other broker-dealers as management shall determine to utilize from time to time, and such repurchases shall be subject to brokerage commissions which are no higher than standard market commission rates. As of June 30, 2021, the Company had \$50.0 million remaining from its debt repurchase authorization.

On July 10, 2020, the Company issued an aggregate of \$300.0 million principal amount of 4.375% Senior Notes. In connection with this issuance of the 4.375% Senior Notes, the Company recorded \$0.2 million in underwriting fees payable to CF&Co and \$36 thousand to CastleOak Securities, L.P. These fees were recorded as a deduction from the carrying amount of the debt liability, which is amortized as interest expense over the term of the notes. Cantor purchased \$14.5 million of such senior notes and still holds such notes as of June 30, 2021.

On August 14, 2020, the Company completed the cash tender offer to purchase its 5.125% Senior Notes. As of the expiration time, \$44.0 million aggregate principal amount of the Notes (14.66%) were validly tendered. CF&Co acted as one of the dealer managers for the offer. As a result of this transaction, \$14 thousand in dealer management fees were paid to CF&Co.

Under rules adopted by the CFTC, all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the NFA and either meet financial reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered FCM. From time to time, the Company's foreign-based brokers engage in interest rate swap transactions with U.S.-based counterparties, and, therefore, the Company is subject to the CFTC requirements. Mint Brokers has entered into guarantees on behalf of the Company, and the Company is required to indemnify Mint Brokers for the amounts, if any, paid by Mint Brokers on behalf of the Company pursuant to this arrangement. Effective April 1, 2020, these guarantees were transferred to Mint Brokers from CF&Co. During both the three months ended June 30, 2021 and 2020, the Company recorded fees of \$31 thousand with respect to these guarantees. During both the six months ended June 30, 2021 and 2020, the Company recorded fees of \$63 thousand with respect to these guarantees. These fees were included in "Fees to related parties" in the Company's unaudited condensed consolidated statements of operations.

#### ***Cantor Rights to Purchase Cantor Units from BGC Holdings***

Cantor has the right to purchase Cantor units from BGC Holdings upon redemption of non-exchangeable FPU's redeemed by BGC Holdings upon termination or bankruptcy of the Founding/Working Partner. In addition, pursuant to Article Eight, Section 8.08, of the Second Amended and Restated BGC Holdings Limited Partnership Agreement (previously the Sixth Amendment), where either current, terminating, or terminated partners are permitted by the Company to exchange any portion of their FPU's and Cantor consents to such exchangeability, the Company shall offer to Cantor the opportunity for Cantor to purchase the same number of Cantor units in BGC Holdings at the price that Cantor would have paid for Cantor units had the Company redeemed the FPU's. If Cantor acquires any Cantor units as a result of the purchase or redemption by BGC Holdings of any FPU's, Cantor will be entitled to the benefits (including distributions) of such units it acquires from the date of termination or bankruptcy of the applicable Founding/Working Partner. In addition, any such Cantor units purchased by Cantor are currently exchangeable for up to 23.6 million shares of BGC Class B common stock or, at Cantor's election or if there are no such additional shares of BGC Class B common stock, shares of BGC Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

On March 31, 2021, Cantor purchased from BGC Holdings an aggregate of 1,149,684 Cantor units for aggregate consideration of \$2,104,433 as a result of the redemption of 1,149,684 FPU's, and 1,618,376 Cantor units for aggregate consideration of \$3,040,411 as a result of the exchange of 1,618,376 FPU's. Each Cantor unit in BGC Holdings held by Cantor is exchangeable by Cantor at any time on a one-for-one basis (subject to adjustment) for shares of BGC Class A common stock.

As of June 30, 2021, there were 1.6 million FPU's in BGC Holdings remaining, which BGC Holdings had the right to redeem or exchange and with respect to which Cantor will have the right to purchase an equivalent number of Cantor units following such redemption or exchange.

#### ***Cantor Aurel Revenue Sharing Agreement***

On June 24, 2021, the Board and Audit Committee authorized our French subsidiary, Aurel BGC SAS, to enter into a revenue sharing agreement pursuant to which Cantor shall provide services to Aurel to support Aurel's investment banking activities with respect to special purpose acquisition companies. The services provided by Cantor to Aurel in support of such



SPAC Investment Banking Activities shall include referral of clients, structuring advice, financial advisory services, referral of investors, deal execution services, and other advisory services in support of Aurel's SPAC Investment Banking Activities pursuant to its French investment services license. As compensation, Cantor shall receive a revenue share of 80% of Aurel's net revenue attributable to SPAC Investment Banking Activities. The term of the revenue sharing agreement is for an initial period of 12 months, which automatically renews each year unless either party provides notice of termination at least three months prior to the anniversary. Aurel is also authorized to serve as bookrunner, underwriter or advisor in connection with French SPACs which are sponsored by Cantor at market rates for such services.

### ***Transactions with Executive Officers and Directors***

On February 22, 2021, the Company granted Sean A. Windeatt 123,713 exchange rights with respect to 123,713 non-exchangeable LPUs that were previously granted to Mr. Windeatt on February 22, 2019. The resulting 123,713 exchangeable LPUs are immediately exchangeable by Mr. Windeatt for an aggregate of 123,713 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 28,477 non-exchangeable PLPUs held by Mr. Windeatt, for a payment of \$178,266 for taxes when the LPU units are exchanged.

On April 8, 2021, the Compensation Committee approved the repurchase by the Company on April 23, 2021 of 123,713 exchangeable BGC Holdings LPU-NEWs held by Mr. Windeatt at the price of \$5.65, which was the closing price of the Company's Class A common stock on April 23, 2021, and the redemption of 28,477 exchangeable BGC Holdings PLPU-NEWs held by Mr. Windeatt for \$178,266, less applicable taxes and withholdings.

On April 8, 2021, the Compensation Committee approved the repurchase by the Company of the remaining 62,211 exchangeable BGC Holdings LPUs held by Mr. Windeatt that were granted exchangeability on March 2, 2020 at the price of \$5.38, the closing price of Class A common stock on April 8, 2020.

On April 28, 2021, the Compensation Committee approved an additional monetization opportunity for Mr. Merkel. Effective April 29, 2021, 108,350 of Mr. Merkel's 273,612 non-exchangeable BGC Holdings PSUs were redeemed for zero, 101,358 of Mr. Merkel's 250,659 non-exchangeable BGC Holdings PPSUs were redeemed for a cash payment of \$575,687, and 108,350 shares of BGC Class A common stock were issued to Mr. Merkel. On April 29, 2021, the 108,350 shares of BGC Class A common stock were repurchased from Mr. Merkel at the closing price of the Company's Class A common stock on that date, under the Company's stock buyback program.

On June 28, 2021, (i) the Company exchanged 520,380 exchangeable LPUs held by Mr. Lutnick at the price of \$5.86, which was the closing price of the Company's Class A common stock on June 28, 2021, for 520,380 shares of BGC Class A common stock, less applicable taxes and withholdings, resulting in the delivery of 365,229 net shares of BGC Class A common stock to Mr. Lutnick, and in connection with the exchange of these 520,380 exchangeable LPUs, 425,765 exchangeable PLPUs were redeemed for a cash payment of \$1,525,705 towards taxes; (ii) 88,636 non-exchangeable LPUs were redeemed for zero, and in connection therewith the Company issued Mr. Lutnick 88,636 shares of BGC Class A common stock, less applicable taxes and withholdings, resulting in the delivery of 41,464 net shares of BGC Class A common stock to Mr. Lutnick; and (iii) 1,131,774 H Units held by Mr. Lutnick were redeemed for 1,131,774 HDUs with a capital account of \$7,017,000, and in connection with the redemption of these 1,131,774 H Units, 1,018,390 Preferred H Units were redeemed for \$7,983,000 for taxes.

On March 2, 2020, the Company granted Stephen M. Merkel 360,065 exchange rights with respect to 360,065 non-exchangeable LPUs that were previously granted to Mr. Merkel. The resulting 360,065 exchangeable LPUs were immediately exchangeable by Mr. Merkel for an aggregate of 360,065 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. On March 20, 2020, the Company redeemed 185,300 of such 360,065 exchangeable LPUs held by Mr. Merkel at the average price of shares of BGC Class A common stock sold under BGC's CEO Program from March 10, 2020 to March 13, 2020 less 1% (approximately \$4.0024 per LPU, for an aggregate redemption price of approximately \$741,644). The transaction was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 265,568 non-exchangeable PLPUs held by Mr. Merkel, for a payment of \$1,507,285 for taxes when the LPU units are exchanged. In connection with the redemption of the 185,300 LPUs, 122,579 PLPUs were redeemed for \$661,303 for taxes. On July 30, 2020, the Company redeemed the remaining 174,765 exchangeable LPUs held by Mr. Merkel at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 174,765 LPUs on July 30, 2020, 142,989 PLPUs were redeemed for \$846,182 for taxes.

On March 2, 2020, the Company granted Shaun D. Lynn 883,348 exchange rights with respect to 883,348 non-exchangeable LPUs that were previously granted to Mr. Lynn. The resulting 883,348 exchangeable LPUs were immediately exchangeable by Mr. Lynn for an aggregate of 883,348 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 245,140 non-exchangeable PLPUs held by Mr. Lynn, for a payment of \$1,099,599 for taxes when the LPU units are exchanged. On July 30, 2020, the Company redeemed 797,222 exchangeable LPUs held by Mr. Lynn at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with

the redemption of the 797,222 exchangeable LPUs, 221,239 exchangeable PLPUs were redeemed for \$992,388 for taxes. In connection with the redemption, Mr. Lynn's remaining 86,126 exchangeable LPUs and 23,901 exchangeable PLPUs were redeemed for zero upon exchange in connection with his LLP status.

On March 2, 2020, the Company granted Sean A. Windeatt 519,725 exchange rights with respect to 519,725 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 519,725 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 519,725 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 97,656 non-exchangeable PLPUs held by Mr. Windeatt, for a payment of \$645,779 for taxes when the LPU units are exchanged. On August 5, 2020, the Company redeemed 436,665 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 436,665 exchangeable LPUs, 96,216 exchangeable PLPUs were redeemed for \$637,866 for taxes. In connection with the redemption, 20,849 exchangeable LPUs and 1,440 exchangeable PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

Additionally, on August 5, 2020, the Company granted Mr. Windeatt 40,437 exchange rights with respect to 40,437 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 40,437 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 40,437 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 21,774 non-exchangeable PLPUs held by Mr. Windeatt. On August 5, 2020, the Company redeemed these 40,437 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of these 40,437 exchangeable LPUs, the 21,774 exchangeable PLPUs were redeemed for \$136,305 for taxes.

In addition to the foregoing, on August 6, 2020, Mr. Windeatt was granted exchange rights with respect to 43,890 non-exchangeable Newmark Holding LPUs that were previously granted to Mr. Windeatt. Additionally, Mr. Windeatt was granted the right to exchange for cash 17,068 non-exchangeable Newmark Holdings PLPUs held by Mr. Windeatt. As these Newmark Holdings LPUs and PLPUs were previously non-exchangeable, the Company took a transaction charge of \$381,961 upon grant of exchangeability. On August 6, 2020, Newmark redeemed the 40,209 Newmark Holdings exchangeable LPUs held by Mr. Windeatt for an amount equal to the closing price of Newmark's Class A Common Stock on August 6, 2020 (\$4.16) multiplied by 37,660 (the amount of shares of Newmark's Class A Common Stock the 40,209 Newmark Holdings LPUs were exchangeable into based on the Exchange Ratio at August 6, 2020). In connection with the redemption of these 40,209 exchangeable Newmark Holdings LPUs, 15,637 exchangeable Newmark Holdings PLPUs were redeemed for \$194,086 for taxes. In connection with the redemption, 3,681 exchangeable Newmark Holding LPUs and 1,431 exchangeable Newmark Holdings PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

#### ***Transactions with the Relief Fund***

During the year ended December 31, 2015, the Company committed to make charitable contributions to the Cantor Fitzgerald Relief Fund in the amount of \$40.0 million, which the Company recorded in "Other expenses" in the Company's unaudited condensed consolidated statements of operations for the year ended December 31, 2015. As of June 30, 2021 and December 31, 2020, the remaining liability associated with this commitment was \$1.5 million and \$1.6 million, respectively, which is included in "Accounts payable, accrued and other liabilities" in the Company's unaudited condensed consolidated statements of financial condition. Further, as of June 30, 2021 and December 31, 2020 the Company had a liability to the Cantor Fitzgerald Relief Fund for \$1.1 million associated with additional expense taken in September of 2020.

#### ***Other Transactions***

The Company is authorized to enter into loans, investments or other credit support arrangements for Aqua, an alternative electronic trading platform that offers new pools of block liquidity to the global equities markets; such arrangements are proportionally and on the same terms as similar arrangements between Aqua and Cantor. On February 5, 2020 and February 25, 2021, the Board and Audit Committee increased the authorized amount by an additional \$2.0 million and \$1.0 million, respectively, to an aggregate of \$20.2 million. The Company has been further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor. Aqua is 51% owned by Cantor and 49% owned by the Company. Aqua is accounted for under the equity method. During the three months ended June 30, 2021 and 2020, the Company made \$0.3 million and \$0.4 million, respectively, in contributions to Aqua. During both the six months ended June 30, 2021 and 2020, the Company made \$0.6 million, in contributions to Aqua. These contributions are recorded as part of "Investments" in the Company's unaudited condensed consolidated statements of financial condition.

The Company has also entered into a subordinated loan agreement with Aqua, whereby the Company loaned Aqua the principal sum of \$980.0 thousand. The scheduled maturity date on the subordinated loan is September 1, 2022, and the current rate of interest on the loan is three month LIBOR plus 600 basis points. The loan to Aqua is recorded as part of “Receivables from related parties” in the Company’s unaudited condensed consolidated statements of financial condition.

On October 25, 2016, the Board and Audit Committee authorized the purchase of 9,000 Class B Units of Lucera, representing all of the issued and outstanding Class B Units of Lucera not already owned by the Company. On November 4, 2016, the Company completed this transaction. As a result of this transaction, the Company owns 100% of the ownership interests in Lucera.

In the purchase agreement, by which the Company acquired Cantor’s remaining interest in Lucera, Cantor agreed, subject to certain exceptions, not to solicit certain senior executives of Lucera’s business and was granted the right to be a customer of Lucera’s businesses on the best terms made available to any other customer.

During the three months ended June 30, 2021 and 2020, Lucera recognized \$0.1 million and \$0.2 million, respectively, in related party revenues from Cantor. During the six months ended June 30, 2021 and 2020, Lucera recognized \$0.2 million and \$0.3 million, respectively, in related party revenues from Cantor. These revenues are included in “Data, software and post-trade” in the Company’s unaudited condensed consolidated statements of operations.

#### ***BGC Sublease From Newmark***

In May 2020, BGC U.S. OpCo entered into an arrangement to sublease excess space from RKF Retail Holdings LLC, a subsidiary of Newmark, which sublease was approved by the Audit Committee. The deal is a one-year sublease of approximately 21,000 rentable square feet in New York City. Under the terms of the sublease, BGC U.S. OpCo will pay a fixed rent amount of \$1.1 million in addition to all operating and tax expenses attributable to the lease. In connection with the sublease, BGC U.S. OpCo paid \$0.1 million and \$0.1 million for the three months ended June 30, 2021 and 2020. In connection with the sublease, BGC U.S. OpCo paid \$0.4 million and \$0.1 million for the six months ended June 30, 2021 and 2020, respectively.

### **15. Investments**

#### ***Equity Method Investments***

The carrying value of the Company’s equity method investments was \$33.2 million as of June 30, 2021 and \$37.7 million as of December 31, 2020, and is included in “Investments” in the Company’s unaudited condensed consolidated statements of financial condition.

The Company recognized gains of \$1.3 million and \$1.1 million related to its equity method investments for the three months ended June 30, 2021 and 2020, respectively. The Company recognized gains of \$2.8 million and \$2.1 million related to its equity method investments for the six months ended June 30, 2021 and 2020, respectively. The Company’s share of the net gains or losses is reflected in “Gains (losses) on equity method investments” in the Company’s unaudited condensed consolidated statements of operations.

For the three and six months ended June 30, 2021, the Company did not record impairment charges related to existing equity method investments. For the three months ended June 30, 2020, the Company did not record any impairment charges related to existing equity method investments. For the six months ended June 30, 2020, the Company recorded \$2.5 million of impairment charges relating to existing equity method investments. The impairment was recorded in “Other income (loss)” in the Company’s unaudited condensed consolidated statements of operations. The Company sold part of an equity method investment with a fair value of \$3.8 million during the three and six months ended June 30, 2021. During the three and six months ended June 30, 2020, the Company did not sell any equity method investments.

As of June 30, 2021, the Company reclassified an equity method investment with a carrying value of \$2.6 million as Assets held for sale.

See Note 14—“Related Party Transactions,” for information regarding related party transactions with unconsolidated entities included in the Company’s unaudited condensed consolidated financial statements.

#### ***Investments Carried Under Measurement Alternative***

The Company has acquired equity investments for which it did not have the ability to exert significant influence over operating and financial policies of the investees. These investments are accounted for using the measurement alternative in

accordance with the guidance on recognition and measurement. The carrying value of these investments as of June 30, 2021 and December 31, 2020 was \$0.2 million and \$0.4 million, respectively, and they are included in “Investments” in the Company’s unaudited condensed statements of financial condition. The Company did not recognize any gains, losses, or impairments relating to investments carried under the measurement alternative for both the three and six months ended June 30, 2021 and 2020.

As of June 30, 2021, the Company reclassified an equity investment carried under the measurement alternative with a carrying value of \$0.2 million as Assets held for sale.

In addition, the Company owns membership shares, which are included in “Other assets” in the Company’s unaudited condensed consolidated statements of financial condition as of June 30, 2021 and December 31, 2020. These equity investments are accounted for using the measurement alternative in accordance with the guidance on recognition and measurement. The Company recognized \$87 thousand of unrealized losses to reflect observable transactions for these shares during both the three and six months ended June 30, 2021. The Company recognized \$6 thousand and \$46 thousand of unrealized losses to reflect observable transactions for these shares during three and six months ended June 30, 2020, respectively. The unrealized losses are reflected in “Other income (loss)” in the Company’s unaudited condensed consolidated statements of operations.

### ***Investments in VIEs***

Certain of the Company’s equity method investments are considered VIEs as defined under the accounting guidance for consolidation. The Company is not considered the primary beneficiary of and therefore does not consolidate these VIEs. The Company’s involvement with such entities is in the form of direct equity interests and related agreements. The Company’s maximum exposure to loss with respect to the VIEs is its investment in such entities, as well as a credit facility and a subordinated loan.

The following table sets forth the Company’s investment in its unconsolidated VIEs and the maximum exposure to loss with respect to such entities (in thousands):

	June 30, 2021		December 31, 2020	
	Investment	Maximum Exposure to Loss	Investment	Maximum Exposure to Loss
Variable interest entities <sup>1</sup>	\$ 1,223	\$ 2,203	\$ 1,258	\$ 2,238

- 1 The Company has entered into a subordinated loan agreement with Aqua, whereby the Company agreed to lend the principal sum of \$980 thousand. The Company’s maximum exposure to loss with respect to its unconsolidated VIEs includes the sum of its equity investments in its unconsolidated VIEs and the \$980 thousand subordinated loan to Aqua.

### ***Consolidated VIE***

The Company is invested in a limited liability company that is focused on developing a proprietary trading technology. The limited liability company is a VIE and it was determined that the Company is the primary beneficiary of this VIE because the Company was the provider of the majority of this VIE’s start-up capital and has the power to direct the activities of this VIE that most significantly impact its economic performance, primarily through its voting percentage and consent rights on the activities that would most significantly influence the entity. The consolidated VIE had total assets of \$8.2 million and \$7.2 million as of June 30, 2021 and December 31, 2020, respectively, which primarily consisted of clearing margin. There were no material restrictions on the consolidated VIE’s assets. The consolidated VIE had total liabilities of \$1.8 million and \$1.0 million as of June 30, 2021 and December 31, 2020, respectively. The Company’s exposure to economic loss on this VIE was \$4.8 million as of both June 30, 2021 and December 31, 2020.

## **16. Fixed Assets, Net**

Fixed assets, net consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Computer and communications equipment	\$ 92,751	\$ 92,565
Software, including software development costs	265,770	259,439
Leasehold improvements and other fixed assets	106,780	120,951
	465,301	472,955
Less: accumulated depreciation and amortization	(260,770)	(258,173)
Fixed assets, net <sup>1</sup>	\$ 204,531	\$ 214,782

1 Excludes Fixed assets, net of \$8,606 thousand classified as Assets held for sale.

Depreciation expense was \$6.6 million and \$5.9 million for the three months ended June 30, 2021 and 2020, respectively. Depreciation expense was \$12.9 million and \$12.0 million for the six months ended June 30, 2021 and 2020, respectively. Depreciation is included as part of “Occupancy and equipment” in the Company’s unaudited condensed consolidated statements of operations.

The Company has \$6.5 million and \$5.9 million of asset retirement obligations related to certain of its leasehold improvements as of June 30, 2021 and December 31, 2020. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset. The liability is discounted and accretion expense is recognized using the credit adjusted risk-free interest rate in effect when the liability was initially recognized.

For the three months ended June 30, 2021 and 2020, software development costs totaling \$10.8 million and \$15.3 million, respectively, were capitalized. Amortization of software development costs totaled \$8.0 million and \$7.7 million for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, software development costs totaling \$23.9 million and \$28.3 million, respectively, were capitalized. Amortization of software development costs totaled \$16.3 million and \$15.3 million for the six months ended June 30, 2021 and 2020, respectively. Amortization of software development costs is included as part of “Occupancy and equipment” in the Company’s unaudited condensed consolidated statements of operations.

Impairment charges of \$1.1 million and \$0.2 million were recorded for the three months ended June 30, 2021 and 2020, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges of \$3.1 million and \$5.0 million were recorded for the six months ended June 30, 2021 and 2020, respectively, related to the evaluation of capitalized software projects for future benefit and for fixed assets no longer in service. Impairment charges related to capitalized software and fixed assets are reflected in “Occupancy and equipment” in the Company’s unaudited condensed consolidated statements of operations.

## 17. Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill were as follows (in thousands):

	Goodwill
Balance at December 31, 2020	\$ 556,211
Goodwill reclassified as Assets held for sale	(69,725)
Cumulative translation adjustment	948
Balance at June 30, 2021	\$ 487,434

For additional information on Goodwill, see Note 5—“Acquisitions.”

Goodwill is not amortized and is reviewed annually for impairment or more frequently if impairment indicators arise, in accordance with U.S. GAAP guidance on Goodwill and Other Intangible Assets.

Other intangible assets consisted of the following (in thousands, except weighted-average remaining life):

June 30, 2021				
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life (Years)
Definite life intangible assets:				
Customer-related	\$ 182,616	\$ 63,859	\$ 118,757	10.5
Technology	23,997	21,716	2,281	0.7
Noncompete agreements	19,821	18,797	1,024	5.4
Patents	10,616	10,233	383	1.5
All other	19,340	4,498	14,842	8.0
Total definite life intangible assets	256,390	119,103	137,287	10.0
Indefinite life intangible assets:				
Trade names	79,570	—	79,570	N/A
Licenses	2,434	—	2,434	N/A
Total indefinite life intangible assets	82,004	—	82,004	N/A
Total <sup>1</sup>	\$ 338,394	\$ 119,103	\$ 219,291	10.0

<sup>1</sup> Excludes intangibles at cost of \$92,845 thousand, and net carrying amount of \$56,031 thousand classified as Assets held for sale.

December 31, 2020				
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life (Years)
Definite life intangible assets:				
Customer-related	\$ 252,241	\$ 77,106	\$ 175,135	10.4
Technology	24,025	20,031	3,994	1.2
Noncompete agreements	30,715	29,596	1,119	5.9
Patents	10,616	10,223	393	1.6
All other	29,566	5,028	24,538	8.3
Total definite life intangible assets	347,163	141,984	205,179	9.9
Indefinite life intangible assets:				
Trade names	79,570	—	79,570	N/A
Licenses	2,408	—	2,408	N/A
Total indefinite life intangible assets	81,978	—	81,978	N/A
Total	\$ 429,141	\$ 141,984	\$ 287,157	9.9

Intangible amortization expense was \$6.7 million and \$6.3 million for the three months ended June 30, 2021 and 2020, respectively. Intangible amortization expense was \$13.7 million and \$14.5 million for the six months ended June 30, 2021 and 2020, respectively. Intangible amortization is included as part of “Other expenses” in the Company’s unaudited condensed consolidated statements of operations. There were no impairment charges for the Company’s definite and indefinite life intangibles for the three and six months ended June 30, 2021 and 2020.

The estimated future amortization expense of definite life intangible assets as of June 30, 2021 is as follows (in millions):

2021	\$	10.3
2022		16.7
2023		14.9
2024		14.4
2025		14.4
2026 and thereafter		66.6
Total	\$	137.3

## 18. Notes Payable, Other and Short-Term Borrowings

Notes payable, other and short-term borrowings consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Unsecured senior revolving credit agreement	\$ 188,652	\$ —
5.125% Senior Notes	—	255,570
5.375% Senior Notes	447,244	446,577
3.750% Senior Notes	297,317	296,903
4.375% Senior Notes	297,252	297,031
Collateralized borrowings	12,783	19,854
Total Notes payable and other borrowings	1,243,248	1,315,935
Short-term borrowings	5,997	3,849
Total Notes payable, other and short-term borrowings	\$ 1,249,245	\$ 1,319,784

### *Unsecured Senior Revolving Credit Agreement*

On November 28, 2018, the Company entered into the Revolving Credit Agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders, which replaced the existing committed unsecured senior revolving credit agreement. The maturity date of the Revolving Credit Agreement was November 28, 2020, and the maximum revolving loan balance is \$350.0 million. Borrowings under this Revolving Credit Agreement bear interest at either LIBOR or a defined base rate plus additional margin. On December 11, 2019, the Company entered into an amendment to the Revolving Credit Agreement. Pursuant to the amendment, the maturity date was extended to February 26, 2021. On February 26, 2020, the Company entered into a second amendment to the Revolving Credit Agreement, pursuant to which, the maturity date was extended by two years to February 26, 2023. There was no change to the interest rate or the maximum revolving loan balance. As of June 30, 2021, there were \$188.7 million borrowings outstanding, net of deferred financing costs of \$1.3 million, under the Revolving Credit Agreement. The average interest rate on the outstanding borrowings was 2.08% for the three and six months ended June 30, 2021. The average interest rate on the outstanding borrowings was 2.53% and 2.92% for the three and six months ended June 30, 2020, respectively. As of December 31, 2020, there were no borrowings outstanding under the Revolving Credit Agreement. The Company recorded interest expense related to the Revolving Credit Agreement of \$0.7 million and \$2.1 million for the three months ended June 30, 2021 and 2020, respectively. The Company recorded interest expense related to the Revolving Credit Agreement of \$1.1 million and \$3.8 million for the six months ended June 30, 2021 and 2020, respectively.

### *Senior Notes*

The Company's Senior Notes are recorded at amortized cost. The carrying amounts and estimated fair values of the Company's Senior Notes were as follows (in thousands):



	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
5.125% Senior Notes	\$ —	\$ —	\$ 255,570	\$ 258,067
5.375% Senior Notes	447,244	486,315	446,577	486,747
3.750% Senior Notes	297,317	317,250	296,903	314,031
4.375% Senior Notes	297,252	325,170	297,031	317,466
Total	\$ 1,041,813	\$ 1,128,735	\$ 1,296,081	\$ 1,376,311

The fair values of the Senior Notes were determined using observable market prices as these securities are traded, and based on whether they are deemed to be actively traded, the 5.125% Senior Notes, the 5.375% Senior Notes, the 3.750% Senior Notes, and the 4.375% Senior Notes are considered Level 2 within the fair value hierarchy.

#### **5.125% Senior Notes**

On May 27, 2016, the Company issued an aggregate of \$300.0 million principal amount of 5.125% Senior Notes, which matured on May 27, 2021. The 5.125% Senior Notes were general senior unsecured obligations of the Company. The 5.125% Senior Notes bear interest at a rate of 5.125% per year, payable in cash on May 27 and November 27 of each year, commencing November 27, 2016 and ending the maturity date. Prior to maturity, on August 5, 2020, the Company commenced a cash tender offer for any and all \$300.0 million outstanding aggregate principal amount of its 5.125% Senior Notes. On August 11, 2020, the Company's cash tender offer expired at 5:00 p.m., New York City time. As of the expiration time, \$44.0 million aggregate principal amount of the 5.125% Senior Notes were validly tendered. These notes were redeemed on the settlement date of August 14, 2020. On May 27, 2021, BGC repaid \$256.0 million principal plus accrued interest on its 5.125% Senior Notes. The Company recorded interest expense related to the 5.125% Senior Notes of \$2.3 million and \$4.1 million for the three months ended June 30, 2021 and 2020, respectively. The Company recorded interest expense related to the 5.125% Senior Notes of \$5.8 million and \$8.1 million for the six months ended June 30, 2021 and 2020, respectively.

#### **5.375% Senior Notes**

On July 24, 2018, the Company issued an aggregate of \$450.0 million principal amount of 5.375% Senior Notes. The 5.375% Senior Notes are general senior unsecured obligations of the Company. The 5.375% Senior Notes bear interest at a rate of 5.375% per year, payable in cash on January 24 and July 24 of each year, commencing January 24, 2019. The 5.375% Senior Notes will mature on July 24, 2023. The Company may redeem some or all of the 5.375% Senior Notes at any time or from time to time for cash at certain "make-whole" redemption prices (as set forth in the Indenture related to the 5.375% Senior Notes). If a "Change of Control Triggering Event" (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 5.375% Senior Notes was \$444.2 million, net of the discount and debt issuance costs of \$5.8 million. The issuance costs are amortized as interest expense, and the carrying value of the 5.375% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 5.375% Senior Notes as of June 30, 2021 was \$447.2 million. The Company recorded interest expense related to the 5.375% Senior Notes of \$6.4 million for each of the three months ended June 30, 2021 and 2020. The Company recorded interest expense related to the 5.375% Senior Notes of \$12.8 million for each of the six months ended June 30, 2021 and 2020.

#### **3.750% Senior Notes**

On September 27, 2019, the Company issued an aggregate of \$300.0 million principal amount of 3.750% Senior Notes. The 3.750% Senior Notes are general unsecured obligations of the Company. The 3.750% Senior Notes bear interest at a rate of 3.750% per year, payable in cash on April 1 and October 1 of each year, commencing April 1, 2020. The 3.750% Senior Notes will mature on October 1, 2024. The Company may redeem some or all of the 3.750% Senior Notes at any time or from time to time for cash at certain "make-whole" redemption prices (as set forth in the Indenture). If a "Change of Control Triggering Event" (as defined in the Indenture) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 3.750% Senior Notes was \$296.1 million, net of discount and debt issuance costs of \$3.9 million. The issuance costs will be amortized as interest expense, and the carrying value of the 3.750% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 3.750% Senior Notes was \$297.3 million as of June 30, 2021. The Company recorded interest expense related to the 3.750%



Senior Notes of \$3.0 million for each of the three months ended June 30, 2021 and 2020. The Company recorded interest expense related to the 3.750% Senior Notes of \$6.0 million for each of the six months ended June 30, 2021 and 2020.

#### ***4.375% Senior Notes***

On July 10, 2020, the Company issued an aggregate of \$300.0 million principal amount of 4.375% Senior Notes. The 4.375% Senior Notes are general unsecured obligations of the Company. The 4.375% Senior Notes bear interest at a rate of 4.375% per year, payable in cash on June 15 and December 15 of each year, commencing December 15, 2020. The 4.375% Senior Notes will mature on December 15, 2025. The Company may redeem some or all of the 4.375% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices. If a “Change of Control Triggering Event” occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 4.375% Senior Notes was \$296.8 million, net of discount and debt issuance costs of \$3.2 million. The issuance costs will be amortized as interest expense, and the carrying value of the 4.375% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 4.375% Senior Notes was \$297.3 million as of June 30, 2021. The Company recorded interest expense related to the 4.375% Senior Notes of \$3.4 million and \$6.9 million for the three and six months ended June 30, 2021. The Company did not record interest expense related to the 4.375% Senior Notes for the three and six months ended June 30, 2020.

#### ***Collateralized Borrowings***

On May 31, 2017, the Company entered into a \$29.9 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.44% per year and matured on May 31, 2021, therefore there were no borrowings outstanding as of June 30, 2021. As of December 31, 2020, the Company had \$4.0 million, outstanding related to this arrangement. The book value of the fixed assets pledged as of December 31, 2020 was \$0.8 million. The Company recorded interest expense related to this arrangement of \$11 thousand and \$0.1 million for the three months ended June 30, 2021 and 2020, respectively. The Company recorded interest expense related to this arrangement of \$40 thousand and \$0.1 million for the six months ended June 30, 2021 and 2020, respectively.

On April 8, 2019, the Company entered into a \$15.0 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.77% and matures on April 8, 2023. As of June 30, 2021 and December 31, 2020, the Company had \$7.8 million and \$9.6 million, respectively, outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of June 30, 2021 and December 31, 2020 was \$0.4 million and \$1.2 million, respectively. The Company recorded interest expense related to this arrangement of \$0.1 million for each of the three months ended June 30, 2021 and 2020. The Company recorded interest expense related to this arrangement of \$0.1 million for each of the six months ended June 30, 2021 and 2020.

On April 19, 2019, the Company entered into a \$10.0 million secured loan arrangement, under which it pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.89% and matures on April 19, 2023. As of June 30, 2021 and December 31, 2020, the Company had \$5.0 million and \$6.3 million, respectively, outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of June 30, 2021 and December 31, 2020 was \$1.7 million and \$2.7 million, respectively. The Company recorded interest expense related to this arrangement of \$0.1 million for each of the three months ended June 30, 2021 and 2020. The Company recorded interest expense related to this arrangement of \$0.2 million for each of the six months ended June 30, 2021 and 2020.

#### ***Short-Term Borrowings***

On August 22, 2017, the Company entered into a committed unsecured loan agreement with Itau Unibanco S.A. The agreement provides for short-term loans of up to \$4.0 million (BRL 20.0 million). The maturity date of the agreement is August 19, 2021. Borrowings under this agreement bear interest at the Brazilian Interbank offering rate plus 4.75%. As of June 30, 2021 and December 31, 2020, there were \$4.0 million (BRL 20.0 million) and \$3.8 million (BRL 20.0 million), respectively, of borrowings outstanding under the agreement. As of June 30, 2021, the interest rate was 9.0%. The Company recorded interest expense related to the agreement of \$0.1 million for each of the three months ended June 30, 2021 and 2020. The Company recorded interest expense related to the agreement of \$0.1 million and \$0.2 million for the six months ended June 30, 2021 and 2020, respectively.

On August 23, 2017, the Company entered into a committed unsecured credit agreement with Itau Unibanco S.A. The agreement provides for an intra-day overdraft credit line up to \$10.0 million (BRL 50.0 million). The maturity date of the agreement is September 9, 2021. This agreement bears a fee of 1.48% per year. As of June 30, 2021 and December 31, 2020, there were no borrowings outstanding under this agreement. The Company recorded bank fees related to the agreement of \$36

thousand and \$27 thousand for the three months ended June 30, 2021 and 2020, respectively. The Company recorded bank fees related to the agreement of \$69 thousand and \$54 thousand for the six months ended June 30, 2021 and 2020, respectively.

On June 1, 2021, the Company entered into a committed unsecured loan agreement with Banco Daycoval S.A. The agreement provides for short-term loans of up to \$2.0 million (BRL \$10.0 million). The maturity date of the agreement is January 18, 2022. Borrowings under this agreement bear interest at the Brazilian Interbank offering rate plus 3.66%. As of June 30, 2021, there were \$2.0 million (BRL \$10.0 million) of borrowings outstanding under the agreement. As of June 30, 2021, the interest rate was 7.90%. The Company recorded interest expense related to the agreement of \$10 thousand for each of the three and six months ended June 30, 2021. The Company did not record any interest expense related to the agreement for the three and six months ended June 30, 2020.

## 19. Compensation

The Compensation Committee may grant various equity-based awards, including RSUs, restricted stock, stock options, LPUs and shares of BGC Class A common stock. Upon vesting of RSUs, issuance of restricted stock, exercise of stock options and redemption/exchange of LPUs, the Company generally issues new shares of BGC Class A common stock.

On June 22, 2016, at the annual meeting of stockholders, the stockholders approved the Equity Plan to increase from 350 million to 400 million the aggregate number of shares of BGC Class A common stock that may be delivered or cash-settled pursuant to awards granted during the life of the Equity Plan. As of June 30, 2021, the limit on the aggregate number of shares authorized to be delivered allowed for the grant of future awards relating to 86.4 million shares.

The Company incurred compensation expense related to Class A common stock, LPUs and RSUs held by BGC employees as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Issuance of common stock and grants of exchangeability	\$ 31,222	\$ 2,362	\$ 39,076	\$ 25,396
Allocations of net income <sup>1</sup>	6,846	2,660	12,477	3,939
LPU amortization	16,741	19,524	33,835	35,833
RSU amortization	3,481	3,273	6,397	4,855
Equity-based compensation and allocations of net income to limited partnership units and FPU's	\$ 58,290	\$ 27,819	\$ 91,785	\$ 70,023

1 Certain LPUs generally receive quarterly allocations of net income, including the Preferred Distribution, and are generally contingent upon services being provided by the unit holders.

### Limited Partnership Units

A summary of the activity associated with LPUs held by BGC employees is as follows (in thousands):

	BGC LPUs	Newmark LPUs <sup>2</sup>
Balance at December 31, 2020	137,652	13,202
Granted	19,292	—
Redeemed/exchanged units	(37,612)	(1,454)
Forfeited units	(642)	(229)
Balance at June 30, 2021	118,690	11,519

The LPUs table above includes both regular and Preferred Units. The Preferred Units are not entitled to participate in partnership distributions other than with respect to the Preferred Distribution (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for further information on Preferred Units). Subsequent to the Spin-Off, there are remaining partners who hold limited partnership interests in BGC Holdings who are Newmark employees, and there are remaining partners who hold limited partnership interests in Newmark Holdings who are BGC employees. These limited partnership interests represent interests that were held prior to the Newmark IPO or were distributed in connection with the Separation. Following the Newmark IPO, employees of BGC and Newmark only receive limited partnership interests in BGC Holdings and Newmark Holdings, respectively. As a result of the Spin-Off, as the existing limited partnership interests in BGC Holdings held by Newmark employees and the existing limited partnership interests in Newmark Holdings held by BGC employees are exchanged/redeemed, the related capital can be contributed to and from Cantor, respectively. The compensation

expenses under GAAP related to the limited partnership interests are based on the company where the partner is employed. Therefore, compensation expenses related to the limited partnership interests of both BGC and Newmark but held by a BGC employee are recognized by BGC. However, the BGC Holdings limited partnership interests held by Newmark employees are included in the BGC share count and the Newmark Holdings limited partnership interests held by BGC employees are included in the Newmark share count.

A summary of the BGC Holdings and Newmark Holdings LPUs held by BGC employees is as follows (in thousands):

	BGC LPUs	Newmark LPUs
Regular Units	82,508	8,659
Preferred Units	36,182	2,860
Balance at June 30, 2021	118,690	11,519

#### *Issuance of Common Stock and Grants of Exchangeability*

Compensation expense related to the issuance of BGC or Newmark Class A common stock and grants of exchangeability on BGC Holdings and Newmark Holdings LPUs held by BGC employees is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Issuance of common stock and grants of exchangeability	\$ 31,222	\$ 2,362	\$ 39,076	\$ 25,396

BGC LPUs held by BGC employees may become exchangeable or redeemed for BGC Class A common stock on a one-for-one basis, and Newmark LPUs held by BGC employees may become exchangeable or redeemed for a number of shares of Newmark Class A common stock equal to the number of limited partnership interests multiplied by the then-current Exchange Ratio. As of June 30, 2021, the Exchange Ratio was 0.9403.

A summary of the LPUs redeemed in connection with the issuance of BGC Class A common stock or Newmark Class A common stock (at the then-current Exchange Ratio) or granted exchangeability for BGC Class A common stock or Newmark Class A common stock (at the then-current Exchange Ratio) held by BGC employees is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
BGC Holdings LPUs	5,568	471	6,666	4,473
Newmark Holdings LPUs	246	100	425	291
Total	5,814	571	7,091	4,764

As of June 30, 2021 and December 31, 2020, the number of share-equivalent BGC LPUs exchangeable for shares of BGC Class A common stock at the discretion of the unit holder held by BGC employees was 2.9 million and 3.5 million, respectively. As of June 30, 2021 and December 31, 2020, the number of Newmark LPUs exchangeable into shares of Newmark Class A common stock at the discretion of the unit holder held by BGC employees (at the then-current Exchange Ratio) was 0.4 million and 0.5 million, respectively.

#### *LPU Amortization*

Compensation expense related to the amortization of LPUs held by BGC employees is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stated vesting schedule	\$ 16,701	\$ 18,459	\$ 33,775	\$ 34,736
Post-termination payout	39	1,065	59	1,097
LPU amortization	\$ 16,740	\$ 19,524	\$ 33,834	\$ 35,833

There are certain LPUs that have a stated vesting schedule and do not receive quarterly allocations of net income. These LPUs generally vest between two and five years from the date of grant. The fair value is determined on the date of grant based on the market value of an equivalent share of BGC or Newmark Class A common stock (adjusted if appropriate based upon the award's eligibility to receive quarterly allocations of net income), and is recognized as compensation expense, net of the effect of estimated forfeitures, ratably over the vesting period.

A summary of the outstanding LPUs held by BGC employees with a stated vesting schedule that do not receive quarterly allocations of net income is as follows (in thousands):

	June 30, 2021	December 31, 2020
BGC Holdings LPUs	41,150	44,529
Newmark Holdings LPUs	279	353
Aggregate estimated grant date fair value – BGC and Newmark Holdings LPUs	\$ 163,016	\$ 201,239

As of June 30, 2021, there was approximately \$81.5 million of total unrecognized compensation expense related to unvested BGC and Newmark LPUs held by BGC employees with a stated vesting schedule that do not receive quarterly allocations of net income that is expected to be recognized over 1.89 years.

Compensation expense related to LPUs held by BGC employees with a post-termination pay-out amount, such as REUs, and/or a stated vesting schedule is recognized over the stated service period. These LPUs generally vest between two and five years from the date of grant. As of June 30, 2021, there were 1.3 million outstanding BGC LPUs with a post-termination payout, with a notional value of approximately \$12.7 million and an aggregate estimated fair value of \$7.5 million, and 0.1 million outstanding Newmark LPUs with a post-termination payout, with a notional value of approximately \$0.8 million and an aggregate estimated fair value of \$0.3 million. As of December 31, 2020, there were 1.3 million outstanding BGC LPUs with a post-termination payout, with a notional value of approximately \$12.7 million and an aggregate estimated fair value of \$7.5 million, and 0.1 million outstanding Newmark LPUs with a post-termination payout, with a notional value of approximately \$0.8 million and an aggregate estimated fair value of \$0.3 million.

### Restricted Stock Units

Compensation expense related to RSUs held by BGC employees is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
RSU amortization	\$ 3,481	\$ 3,273	\$ 6,397	\$ 4,855

A summary of the activity associated with RSUs held by BGC employees and directors is as follows (RSUs and dollars in thousands):

	RSUs	Weighted-Average Grant Date Fair Value	Fair Value Amount	Weighted-Average Remaining Contractual Term (Years)
Balance at December 31, 2020	8,960	\$ 3.75	\$ 33,582	2.46
Granted	4,658	4.30	20,044	
Delivered	(2,572)	4.04	(10,385)	
Forfeited	(245)	3.84	(940)	
Balance at June 30, 2021	10,801	\$ 3.92	\$ 42,301	2.65

The fair value of RSUs held by BGC employees and directors is determined on the date of grant based on the market value of Class A common stock adjusted as appropriate based upon the award's ineligibility to receive dividends. The compensation expense is recognized ratably over the vesting period, taking into effect estimated forfeitures. The Company uses historical data, including historical forfeitures and turnover rates, to estimate expected forfeiture rates for both employee and director RSUs. Each RSU is settled in one share of Class A common stock upon completion of the vesting period.

For the RSUs that vested during the three months ended June 30, 2021 and 2020, the Company withheld shares of Class A common stock valued at \$0.6 million and \$40 thousand to pay taxes due at the time of vesting. For the RSUs that vested during the six months ended June 30, 2021 and 2020, the Company withheld shares of Class A common stock valued at \$3.8 million and \$1.7 million to pay taxes due at the time of vesting. As of June 30, 2021, there was approximately \$40.8 million of total unrecognized compensation expense related to unvested RSUs held by BGC employees and directors that is expected to be recognized over a weighted-average period of 2.65 years.

### Acquisitions

In connection with certain of its acquisitions, the Company has granted certain LPUs and RSUs, and other deferred compensation awards. As of June 30, 2021 and December 31, 2020, the aggregate estimated fair value of these acquisition-related LPUs and RSUs was \$9.3 million and \$9.4 million, respectively. As of June 30, 2021 and December 31, 2020, the aggregate estimated fair value of the deferred compensation awards was \$19.8 million and \$23.6 million, respectively. The liability for such acquisition-related LPUs and RSUs is included in “Accounts payable, accrued and other liabilities” on the Company’s unaudited condensed consolidated statements of financial condition.

### ***Restricted Stock***

BGC employees hold shares of BGC and Newmark restricted stock. Such restricted shares are generally saleable by partners in five to ten years. Partners who agree to extend the length of their employment agreements and/or other contractual modifications sought by the Company are expected to be able to sell their restricted shares over a shorter time period. Transferability of the restricted shares of stock is not subject to continued employment or service with the Company or any affiliate or subsidiary of the Company; however, transferability is subject to compliance with BGC and its affiliates’ customary noncompete obligations.

During both the three and six months ended June 30, 2021, 84 thousand BGC or Newmark restricted shares held by BGC employees were forfeited in connection with this provision. During the three and six months ended June 30, 2020, no BGC or Newmark restricted shares held by BGC employees were forfeited in connection with this provision. During the three months ended June 30, 2021 and 2020, the Company released the restrictions with respect to 0.2 million and 0.2 million of such BGC shares held by BGC employees, respectively. During the six months ended June 30, 2021 and 2020, the Company released the restrictions with respect to 0.4 million and 0.3 million of such BGC shares held by BGC employees, respectively. As of June 30, 2021 and December 31, 2020, there were 3.3 million and 3.7 million of such restricted BGC shares held by BGC employees outstanding, respectively. Additionally, during the three months ended June 30, 2021 and 2020, Newmark released the restrictions with respect to zero and 0.1 million, respectively, of restricted Newmark shares held by BGC employees. Additionally, during the six months ended June 30, 2021 and 2020, Newmark released the restrictions with respect to 0.1 million and 0.1 million, respectively, of restricted Newmark shares held by BGC employees. As of June 30, 2021 and December 31, 2020, there were 1.6 million and 1.7 million, respectively, of restricted Newmark shares held by BGC employees outstanding.

### ***Deferred Compensation***

The Company maintains a deferred cash award program, which provides for the grant of deferred cash incentive compensation to eligible employees. The Company may pay certain bonuses in the form of deferred cash compensation awards, which generally vest over a future service period.

The total compensation expense recognized in relation to the deferred cash compensation awards for the three months ended June 30, 2021 and 2020 was \$0.2 million and \$0.2 million, respectively. The total compensation expense recognized in relation to the deferred cash compensation awards for the six months ended June 30, 2021 and 2020 was \$0.3 million and \$0.4 million, respectively. As of June 30, 2021 and December 31, 2020, the total liability for the deferred cash compensation awards was \$0.7 million and \$1.5 million, respectively, which is included in “Accrued compensation” on the Company’s unaudited condensed consolidated statements of financial condition. As of June 30, 2021, total unrecognized compensation cost related to deferred cash compensation, prior to the consideration of forfeitures, was approximately \$0.2 million and is expected to be recognized over a weighted-average period of 2.23 years.

## **20. Commitments, Contingencies and Guarantees**

### ***Contingencies***

In the ordinary course of business, various legal actions are brought and are pending against the Company and its subsidiaries in the U.S. and internationally. In some of these actions, substantial amounts are claimed. The Company is also involved, from time to time, in reviews, examinations, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company’s businesses, operations, reporting or other matters, which may result in regulatory, civil and criminal judgments, settlements, fines, penalties, injunctions, enhanced oversight, remediation, or other relief. The following generally does not include matters that the Company has pending against other parties which, if successful, would result in awards in favor of the Company or its subsidiaries.

### ***Employment, Competitor-Related and Other Litigation***

From time to time, the Company and its subsidiaries are involved in litigation, claims and arbitrations in the U.S. and internationally, relating to, inter alia, various employment matters, including with respect to termination of employment, hiring of employees currently or previously employed by competitors, terms and conditions of employment and other matters. In light of the competitive nature of the brokerage industry, litigation, claims and arbitration between competitors regarding employee hiring are not uncommon. The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company's businesses. Any such actions may result in regulatory, civil or criminal judgments, settlements, fines, penalties, injunctions, enhanced oversight, remediation, or other relief.

Legal reserves are established in accordance with U.S. GAAP guidance on Accounting for Contingencies, when a material legal liability is both probable and reasonably estimable. Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. The outcome of such items cannot be determined with certainty. The Company is unable to estimate a possible loss or range of loss in connection with specific matters beyond its current accruals and any other amounts disclosed. Management believes that, based on currently available information, the final outcome of these current pending matters will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

#### ***Letter of Credit Agreements***

The Company has irrevocable uncollateralized letters of credit with various banks, where the beneficiaries are clearing organizations through which it transacts, that are used in lieu of margin and deposits with those clearing organizations. As of June 30, 2021 and December 31, 2020, the Company was contingently liable for \$1.7 million and \$1.0 million, respectively, under these letters of credit.

#### ***Risk and Uncertainties***

The Company generates revenues by providing financial intermediary, and brokerage activities to institutional customers and by executing and, in some cases, clearing transactions for institutional counterparties. Revenues for these services are transaction-based. As a result, revenues could vary based on the transaction volume of global financial markets. Additionally, financing is sensitive to interest rate fluctuations, which could have an impact on the Company's overall profitability.

#### ***Insurance***

The Company is self-insured for health care claims, up to a stop-loss amount for eligible participating employees and qualified dependents in the U.S., subject to deductibles and limitations. The Company's liability for claims incurred but not reported is determined based on an estimate of the ultimate aggregate liability for claims incurred. The estimate is calculated from actual claim rates and adjusted periodically as necessary. The Company has accrued \$0.7 million and \$1.2 million in health care claims as of June 30, 2021 and December 31, 2020, respectively. The Company does not expect health care claims to have a material impact on its financial condition, results of operations, or cash flows.

#### ***Guarantees***

The Company provides guarantees to securities clearinghouses and exchanges which meet the definition of a guarantee under FASB interpretations. Under these standard securities clearinghouse and exchange membership agreements, members are required to guarantee, collectively, the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearinghouse or exchange, all other members would be required to meet the shortfall. In the opinion of management, the Company's liability under these agreements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential of being required to make payments under these arrangements is remote. Accordingly, no contingent liability has been recorded in the Company's unaudited condensed consolidated statements of financial condition for these agreements.

#### ***Indemnifications***

In connection with the sale of eSpeed, the Company has indemnified Nasdaq for amounts over a defined threshold against damages arising from breaches of representations, warranties and covenants. In addition, in connection with the acquisition of GFI, the Company has indemnified the directors and officers of GFI. As of June 30, 2021, no contingent liability has been recorded in the Company's unaudited condensed consolidated statements of financial condition for these indemnifications, as the potential for being required to make payments under these indemnifications is remote.

## 21. Income Taxes

The Company's unaudited condensed consolidated financial statements include U.S. federal, state and local income taxes on the Company's allocable share of the U.S. results of operations, as well as taxes payable to jurisdictions outside the U.S. In addition, certain of the Company's entities are taxed as U.S. partnerships and are subject to the UBT in New York City. Therefore, the tax liability or benefit related to the partnership income or loss, except for UBT, rests with the partners (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for discussion of partnership interests), rather than the partnership entity.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the unaudited condensed consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is deemed more likely than not that those assets will not be realized.

Pursuant to U.S. GAAP guidance, Accounting for Uncertainty in Income Taxes, the Company provides for uncertain tax positions as a component of income tax expense based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities.

As of June 30, 2021 and December 31, 2020, the Company's unrecognized tax benefits, excluding related interest and penalties, were \$8.9 million and \$12.2 million, respectively, of which \$8.9 million and \$9.2 million, respectively, if recognized, would affect the effective tax rate. The Company is currently open to examination by tax authorities in U.S. federal, state and local jurisdictions and certain non-U.S. jurisdictions for tax years beginning 2008, 2009 and 2012, respectively. The Company is currently under examination by tax authorities in the U.S. Federal and certain state and local jurisdictions. The Company does not believe that the amounts of unrecognized tax benefits will materially change over the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits in "Provision (benefit) for income taxes" in the Company's unaudited condensed consolidated statements of operations. As of June 30, 2021 and December 31, 2020, the Company had accrued \$3.7 million and \$3.3 million, respectively, for income tax-related interest and penalties.

## 22. Regulatory Requirements

Many of the Company's businesses are subject to regulatory restrictions and minimum capital requirements. These regulatory restrictions and capital requirements may restrict the Company's ability to withdraw capital from its subsidiaries.

Certain U.S. subsidiaries of the Company are registered as U.S. broker-dealers or FCMs subject to Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC, which specify uniform minimum net capital requirements, as defined, for their registrants, and also require a significant part of the registrants' assets be kept in relatively liquid form. As of June 30, 2021, the Company's U.S. subsidiaries had net capital in excess of their minimum capital requirements.

Certain U.K. and European subsidiaries of the Company are regulated by the FCA and must maintain financial resources (as defined by the FCA) in excess of the total financial resources requirement of the FCA. As of June 30, 2021, the U.K. and European subsidiaries had financial resources in excess of their requirements.

Certain other subsidiaries of the Company are subject to regulatory and other requirements of the jurisdictions in which they operate.

In addition, the Company's SEFs, BGC Derivative Markets and GFI Swaps Exchange are required to maintain financial resources to cover operating costs for at least one year, keeping at least enough cash or highly liquid securities to cover six months' operating costs.

The regulatory requirements referred to above may restrict the Company's ability to withdraw capital from its regulated subsidiaries. As of June 30, 2021, the Company's regulated subsidiaries held \$687.9 million of net assets excluding \$51.9 million classified as held for sale. These subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$375.4 million, excluding \$43.2 million classified as held for sale.

## 23. Segment, Geographic and Product Information

### *Segment Information*

The Company currently operates its business in one reportable segment, by providing brokerage services to the financial markets, integrated Voice, Hybrid and Fully Electronic brokerage in a broad range of products, including fixed income (Rates and Credit), FX, Equity derivatives and cash equities, Insurance, Energy and commodities, and futures. It also provides a



wide range of services, including trade execution, brokerage, clearing, trade compression, post-trade, information, consulting, and other back-office services to a broad range of financial and non-financial institutions.

### Geographic Information

The Company offers products and services in the U.K., U.S., Asia (including Australia), Other Europe, MEA, France, and Other Americas. Information regarding revenues is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
U.K.	\$ 216,228	\$ 222,726	\$ 452,792	\$ 465,096
U.S.	129,880	135,911	273,319	289,355
Asia	75,283	74,596	158,367	164,188
Other Europe/MEA	50,820	46,508	108,771	113,145
France	24,325	25,968	55,280	60,221
Other Americas	15,914	13,379	31,497	30,250
Total revenues	<u>\$ 512,450</u>	<u>\$ 519,088</u>	<u>\$ 1,080,026</u>	<u>\$ 1,122,255</u>

Information regarding long-lived assets (defined as loans, forgivable loans and other receivables from employees and partners, net; fixed assets, net; ROU assets; certain other investments; goodwill; other intangible assets, net of accumulated amortization; and rent and other deposits) in the geographic areas is as follows (in thousands):

	June 30, 2021	December 31, 2020
<b>Long-lived assets:</b>		
U.S.	\$ 774,170	\$ 767,082
U.K.	479,703	655,906
Asia	102,017	119,619
Other Europe/MEA	72,739	66,487
France	19,492	28,518
Other Americas	16,057	18,236
Total long-lived assets <sup>1</sup>	<u>\$ 1,464,178</u>	<u>\$ 1,655,848</u>

1. Excludes \$149.5 million of long-lived assets classified as Assets held for sale, as well as \$7.3 million of operating lease ROU assets classified as Assets held for sale as of June 30, 2021.

### Product Information

The Company's business is based on the products and services provided and reflect the manner in which financial information is evaluated by management.

The Company specializes in the brokerage of a broad range of products, including fixed income (Rates and Credit), FX, Equity derivatives and cash equities, Insurance, Energy and commodities, and futures. It also provides a wide range of services, including trade execution, broker-dealer services, clearing, trade compression, post-trade, information, consulting, and other back-office services to a broad range of financial and non-financial institutions.

Product information regarding revenues is as follows (in thousands):



	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Rates	\$ 136,474	\$ 133,034	\$ 298,267	\$ 300,274
Credit	72,609	95,780	162,656	192,969
FX	72,807	74,393	156,240	168,759
Energy and commodities	74,735	71,326	150,603	155,064
Equities derivatives and cash equities	60,825	61,777	131,287	143,574
Insurance	54,315	45,783	106,695	90,619
Total brokerage revenues	\$ 471,765	\$ 482,093	\$ 1,005,748	\$ 1,051,259
All other revenues	40,685	36,995	74,278	70,996
Total revenues	\$ 512,450	\$ 519,088	\$ 1,080,026	\$ 1,122,255

#### 24. Revenues from Contracts with Customers

The following table presents the Company's total revenues separated between revenues from contracts with customers and other sources of revenues (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues from contracts with customers:</b>				
Commissions	\$ 389,768	\$ 382,640	\$ 824,988	\$ 838,495
Data, software, and post-trade	21,602	20,139	43,588	39,537
Fees from related parties	4,245	6,562	8,030	12,083
Other revenues	3,172	3,391	7,071	7,350
Total revenues from contracts with customers	418,787	412,732	883,677	897,465
<b>Other sources of revenues:</b>				
Principal transactions	81,997	99,453	180,760	212,764
Interest and dividend income	11,455	6,536	14,493	10,697
Other revenues	211	367	1,096	1,329
Total revenues	\$ 512,450	\$ 519,088	\$ 1,080,026	\$ 1,122,255

As discussed in Note 1—“Organization and Basis of Presentation”, the Company adopted the new revenue recognition standard as of January 1, 2018. There was no significant impact to the Company's unaudited condensed consolidated financial statements for the periods presented as a result of applying the new revenue recognition standard.

Refer to Note 3—“Summary of Significant Accounting Policies” in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020 for detailed information on the recognition of the Company's revenues from contracts with customers.

#### *Disaggregation of Revenue*

Refer to Note 23—“Segment, Geographic and Product Information,” for a further discussion on the allocation of revenues to geographic regions.

#### *Contract Balances*

The timing of our revenue recognition may differ from the timing of payment by our customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.

The Company had receivables related to revenues from contracts with customers of \$338.3 million, which excludes \$561.1 million of receivables classified as Assets held for sale, and \$629.4 million at June 30, 2021 and December 31, 2020, respectively. The Company had no impairments related to these receivables during the three and six months ended June 30, 2021 and 2020.

The Company's deferred revenue primarily relates to customers paying in advance or billed in advance where the performance obligation has not yet been satisfied. Deferred revenue at June 30, 2021 and December 31, 2020 was \$9.8 million and \$15.0 million, respectively. At June 30, 2021, the Company reclassified \$6.0 million of deferred revenue as Liabilities held for sale.

During the three months ended June 30, 2021 and 2020, the Company recognized revenue of \$7.6 million and \$6.8 million, respectively, that was recorded as deferred revenue at the beginning of the period. During the six months ended June 30, 2021 and 2020, the Company recognized revenue of \$8.3 million and \$7.4 million, respectively, that was recorded as deferred revenue at the beginning of the period.

### **Contract Costs**

The Company capitalizes costs to fulfill contracts associated with different lines of its business where the revenue is recognized at a point in time and the costs are determined to be recoverable. Capitalized costs to fulfill a contract are recognized at the point in time that the related revenue is recognized.

The Company did not have any capitalized costs to fulfill a contract as of June 30, 2021. At December 31, 2020, there were \$1.7 million of capitalized costs recognized to fulfill a contract. At June 30, 2021, the Company reclassified \$1.7 million of capitalized costs recognized to fulfill a contract as Assets held for sale.

## **25. Leases**

The Company, acting as a lessee, has operating leases and finance leases primarily relating to office space, data centers and office equipment. The leases have remaining lease terms of 0.2 years to 18.1 years some of which include options to extend the leases in 1 to 10 year increments for up to 10 years. Renewal periods are included in the lease term only when renewal is reasonably certain, which is a high threshold and requires management to apply judgment to determine the appropriate lease term. Certain leases also include periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise the termination option. The Company measures its lease payments by including fixed rental payments and, where relevant, variable rental payments tied to an index, such as the Consumer Price Index. Payments for leases in place before the date of adoption of ASC 842, *Leases* were determined based on previous leases guidance. The Company recognizes lease expense for its operating leases on a straight-line basis over the lease term, and variable lease expense not included in the lease payment measurement is recognized as incurred.

Pursuant to the accounting policy election, leases with an initial term of twelve months or less are not recognized on the balance sheet. The short-term lease expense over the period reasonably reflects the Company's short-term lease commitments.

ASC 842, *Leases* requires the Company to make certain assumptions and judgments in applying the guidance, including determining whether an arrangement includes a lease, determining the term of a lease when the contract has renewal or cancellation provisions, and determining the discount rate.

The Company determines whether an arrangement is a lease or includes a lease at the contract inception by evaluating whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Company has the right to obtain substantially all of the economic benefits from, and can direct the use of, the identified asset for a period of time, the Company accounts for the identified asset as a lease. The Company has elected the practical expedient to not separate lease and non-lease components for all leases other than real estate leases. The primary non-lease component that is combined with a lease component represents operating expenses, such as utilities, maintenance or management fees.

As the rate implicit in the lease is not usually available, the Company used an incremental borrowing rate based on the information available at the adoption date of the new *Leases* standard in determining the present value of lease payments for existing leases. The Company has elected to use a portfolio approach for the incremental borrowing rate, applying corporate bond rates to the leases. The Company calculated the appropriate rates with reference to the lease term and lease currency. The Company uses information available at the lease commencement date to determine the discount rate for any new leases.

The Company subleases certain real estate to its affiliates and to third parties. The value of these commitments is not material to the Company's unaudited condensed consolidated financial statements.

As of June 30, 2021, the Company did not have any leases that have not yet commenced but that create significant rights and obligations.

Supplemental information related to the Company's operating leases is as follows (in thousands):

	Classification in Unaudited Condensed Consolidated Statements of Financial Condition	June 30, 2021 <sup>1</sup>	December 31, 2020
<b>Assets</b>			
Operating lease ROU assets	Other assets	\$ 140,607	\$ 165,969
Finance lease ROU assets	Fixed assets, net	\$ 531	\$ —
<b>Liabilities</b>			
Operating lease liabilities	Accounts payable, accrued and other liabilities	\$ 170,155	\$ 190,207
Finance lease liabilities	Accounts payable, accrued and other liabilities	\$ 532	\$ —

- The Company reclassified \$7,286 thousand of operating lease ROU assets, and \$7,392 thousand of operating lease liabilities as Assets held for sale and Liabilities held for sale, respectively.

	June 30, 2021	December 31, 2020
<b>Weighted-average remaining lease term</b>		
Operating leases (years)	11.1	10.5
Finance leases (years)	4.9	—
<b>Weighted-average discount rate</b>		
Operating leases	4.9 %	4.9 %
Finance leases	3.1 %	— %

The components of lease expense are as follows (in thousands):

	Classification in Unaudited Condensed Consolidated Statements of Operations	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Operating lease cost <sup>1</sup>	Occupancy and equipment	\$ 10,589	\$ 10,798	\$ 21,595	\$ 20,664
Finance lease cost					
Amortization on ROU assets	Occupancy and equipment	\$ 18	\$ —	\$ 18	\$ —
Interest on lease liabilities	Interest expense	\$ 3	\$ —	\$ 3	\$ —

- The Company recorded operating lease costs related to the Insurance brokerage business of \$1,080 thousand and \$2,193 thousand for the three and six months ended June 30, 2021.

Short-term lease expense is not material.

The following table shows the Company's maturity analysis of its operating lease liabilities (in thousands):

	June 30, 2021	
	Operating leases	Finance leases
2021 (excluding the six months ended June 30, 2021)	\$ 16,688	\$ 59
2022	31,152	119
2023	25,980	119
2024	21,362	119
2025	16,874	119
Thereafter	113,568	40
Total	\$ 225,624	\$ 575
Interest	(55,469)	(43)
Total	\$ 170,155	\$ 532

The following table shows cash flow information related to lease liabilities (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cash paid for obligations included in the measurement of operating lease liabilities <sup>1</sup>	\$ 8,794	\$ 10,936	\$ 18,043	\$ 20,024
Cash paid for obligations included in the measurement of finance lease liabilities	\$ 20	\$ —	\$ 20	\$ —

- The Company made payments for operating lease liabilities related to the Insurance brokerage business of \$1,120 thousand and \$2,279 thousand for the three and six months ended June 30, 2021.

## 26. Current Expected Credit Losses (CECL)

The CECL reserve reflects management's current estimate of potential credit losses related to the receivable balances included in the Company's unaudited condensed consolidated statements of financial condition. See Note 3—"Summary of Significant Accounting Policies" for further discussion of the CECL reserve methodology.

As described in Note 1—"Organization and Basis of Presentation," upon adoption of the new CECL guidance on January 1, 2020, the Company recognized an initial CECL reserve of approximately \$1.9 million, of which, \$1.1 million was in "Loans, forgivable loans and other receivables from employees and partners, net," and \$0.8 million was in "Accrued commissions and other receivables, net," against its receivables portfolio with a corresponding charge to "Retained deficit" on the Company's unaudited condensed consolidated statements of changes in equity. As of June 30, 2021, the Company reclassified \$0.1 million of "Accrued commissions and other receivables, net," from the initial CECL reserve as Assets held for sale.

As required, any subsequent changes to the CECL reserve are recognized in "Net income (loss) available to common stockholders" in the Company's unaudited condensed consolidated statements of operations. During the three months ended June 30, 2021 and 2020, the Company recorded an increase of \$0.1 million and \$0.6 million, respectively, in the CECL reserve against the receivables portfolio. During the six months ended June 30, 2021 there was no change, which excludes \$0.1 million reclassified as Assets held for sale, in the CECL reserve against the receivables portfolio. During the six months ended June 30, 2020, the Company recorded an increase of \$1.4 million in the CECL reserve against the receivables portfolio.

The Company's total CECL reserve as of June 30, 2021 and December 31, 2020 were \$2.6 million, which excludes \$0.1 million reclassified as Assets held for sale, and \$2.6 million, respectively. This total CECL reserve is comprised of \$1.5 million and \$1.6 million for "Loans, forgivable loans and other receivables from employees and partners, net" as of June 30, 2021 and December 31, 2020, respectively. The total CECL reserve is further comprised of \$1.1 million, which excludes \$0.1 million reclassified as Assets held for sale, and \$1.0 million for "Accrued commissions and other receivables, net" as of June 30, 2021 and December 31, 2020, respectively.

For the three months ended June 30, 2021 and 2020, there was an increase of \$0.1 million and \$0.8 million, respectively, in the CECL reserve pertaining to "Loans, forgivable loans and other receivables from employees and partners, net" as a result of employee terminations. For the six months ended June 30, 2021 and 2020, there was a decrease of \$0.1 million and an increase of \$1.4 million, respectively, in the CECL reserve pertaining to "Loans, forgivable loans and other receivables from employees and partners, net" as a result of employee terminations, bringing the CECL reserve recorded

pertaining to “Loans, forgivable loans and other receivables from employees and partners, net” to \$1.5 million as of June 30, 2021.

There was no change in the CECL reserve recorded pertaining to “Accrued Commissions and other receivables, net” for the three months ended June 30, 2021. For the three months ended June 30, 2020, there was a decrease of \$0.2 million in the CECL reserve against “Accrued commissions and other receivables, net,” due to an increase in collections partially offset by the updated macroeconomic assumptions resulting from the COVID-19 pandemic, and the downward credit rating migration of certain receivables in the portfolio. For the six months ended June 30, 2021, there was an increase of \$0.1 million, which excludes \$0.1 million reclassified as Assets held for sale, in the CECL reserve against “Accrued commissions and other receivables, net,” due to the updated macroeconomic assumptions resulting from COVID-19, and the downward credit rating migration of certain receivables in the portfolio, bringing the CECL reserve recorded pertaining to “Accrued commissions and other receivables, net” to \$1.1 million as of June 30, 2021. There was no change in the CECL reserve recorded pertaining to “Accrued Commissions and other receivables, net” for the six months ended June 30, 2020.

## **27. Subsequent Events**

### ***Second Quarter 2021 Dividend***

On August 3, 2021, the Company’s Board of Directors declared a quarterly cash dividend of \$0.01 per share for the second quarter of 2021, payable on September 7, 2021 to BGC Class A and Class B common stockholders of record as of August 24, 2021.

### ***Purchase of CX Futures Transaction***

On June 7, 2021, the Board and Audit Committee approved entry into an agreement between certain affiliates of BGC and Cantor for the sale to BGC of Cantor’s futures exchange and related clearinghouse. On June 21, 2021, BGC entered into a purchase agreement with Cantor, providing that at closing BGC will purchase the direct and indirect equity of each of (i) CFLP CX Futures Exchange Holdings, LLC, (ii) CFLP CX Futures Exchange Holdings, L.P., (iii) CX Futures Exchange Holdings, LLC, (iv) CX Clearinghouse Holdings, LLC, (v) CX Futures Exchange, L.P. and (vi) CX Clearinghouse, L.P., for a purchase price of approximately \$4.9 million at closing, plus the cash held at closing by the Futures Exchange Group, and an earn-out, only payable out of BGC’s portion of the profits of the Futures Exchange Group, capped at the amount Cantor contributed to the Futures Exchange Group prior to closing. The Futures Transaction closed on July 30, 2021.

### ***Unit Redemptions and Share Repurchase Program***

On August 3, 2021, the Board and Audit Committee increased the BGC Partners share repurchase and unit redemption authorization to \$400.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of BGC Partners' financial condition and results of operations should be read together with BGC Partners, Inc.'s unaudited condensed consolidated financial statements and notes to those statements, as well as the cautionary statements relating to forward-looking statements included in this report. When used herein, the terms "BGC Partners," "BGC," the "Company," "we," "us" and "our" refer to BGC Partners, Inc., including consolidated subsidiaries.

This discussion summarizes the significant factors affecting our results of operations and financial condition as of and during the three and six months ended June 30, 2021 and 2020. This discussion is provided to increase the understanding of, and should be read in conjunction with, our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this report.

Due to BGC's Insurance brokerage business being classified as "Held for Sale" as of June 30, 2021, certain financial statement line items within our unaudited condensed consolidated statement of financial condition are not fully comparable. Assets and liabilities related to the Insurance brokerage business, including cash and cash equivalents, are reflected within "Assets held for sale" and "Liabilities held for sale" in our unaudited condensed consolidated statement of financial condition, as of June 30, 2021, but not as of December 31, 2020. Refer to Note 4—"Assets and Liabilities Held for Sale" for detailed information on the held for sale activities of the Company reported in the unaudited condensed consolidated statements of financial condition as of June 30, 2021.

## OVERVIEW AND BUSINESS ENVIRONMENT

We are a leading global brokerage and financial technology company servicing the global financial markets.

Through brands including BGC®, GFI®, Sunrise™, Besso™, Ed Broking®, Poten & Partners™, RP Martin™, Fenics, Corant™, and Corant Global™, among others, our businesses specialize in the brokerage of a broad range of products, including fixed income such as government bonds, corporate bonds, and other debt instruments, as well as related interest rate derivatives and credit derivatives. We also broker products across FX, equity derivatives and cash equities, energy and commodities, shipping, insurance, and futures and options. Our businesses also provide a wide variety of services, including trade execution, brokerage services, clearing, compression, connectivity solutions, and other post-trade services, information, and other back-office services to a broad assortment of financial and non-financial institutions. Our integrated platform is designed to provide flexibility to customers with regard to price discovery, execution and processing of transactions, and enables them to use Voice, Hybrid, or in many markets, Fully Electronic brokerage services in connection with transactions executed either OTC or through an exchange. Through our Fenics® group of electronic brands, we offer a number of market infrastructure and connectivity services, Fully Electronic marketplaces, and the Fully Electronic brokerage of certain products that also may trade via Voice and Hybrid execution. The full suite of Fenics® offerings include Fully Electronic and Hybrid brokerage, market data and related information services, trade compression and other post-trade services, analytics related to financial instruments and markets, and other financial technology solutions. Fenics® brands operate under the names Fenics®, BGC Trader™, CreditMatch®, Fenics Market Data™, Fenics GO™, BGC Market Data™, kACE®, Capitalab®, Swaptioniser®, CBID® and Lucera®.

We previously offered real estate services through our publicly traded subsidiary, Newmark (NASDAQ: NMRK). On November 30, 2018, we completed the Spin-Off of Newmark. Following the Spin-Off, BGC no longer holds any interest in Newmark. See Note 1—"Organization and Basis of Presentation" to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020, for further information regarding the transactions related to the Newmark IPO, Separation and Spin-Off.

BGC, BGC Partners, BGC Trader, GFI, GFI Ginga, CreditMatch, Fenics, Fenics.com, Sunrise Brokers, Corant, Corant Global, Besso, Ed Broking, Poten & Partners, RP Martin, kACE, Capitalab, Swaptioniser, CBID, Aqua and Lucera are trademarks/service marks, and/or registered trademarks/service marks of BGC Partners, Inc. and/or its affiliates.

Our customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, and investment firms. We have dozens of offices globally in major markets including New York and London, as well as in Bahrain, Beijing, Bermuda, Bogotá, Brisbane, Buenos Aires, Chicago, Copenhagen, Dubai, Dublin, Frankfurt, Geneva, Hong Kong, Houston, Istanbul, Johannesburg, Madrid, Melbourne, Mexico City, Moscow, Nyon, Paris, Rio de Janeiro, Santiago, São Paulo, Seoul, Shanghai, Singapore, Sydney, Tel Aviv, Tokyo, Toronto, and Zurich.

As of June 30, 2021, we had approximately 2,750 brokers, salespeople, managers and other front-office personnel across our businesses.

### *Fenics*

For the purposes of this document and subsequent SEC filings, all of our higher-margin, technology-driven businesses are referred to as Fenics. In the first quarter of 2021, we began to categorize our Fenics businesses as Fenics Markets and Fenics Growth Platforms, and we have conformed our prior period comparisons of the components of our Fenics businesses to this new categorization. Fenics Markets includes the fully electronic portion of BGC's brokerage businesses, data, software and post-trade revenues that are unrelated to Fenics Growth Platforms, as well as Fenics Integrated revenues. Fenics Growth Platforms includes Fenics UST, Fenics GO, Lucera, Fenics FX and other newer standalone platforms. Revenue generated from data, software, and post-trade attributable to Fenics Growth Platforms are included within their related businesses.

Historically, technology-based product growth has led to higher margins and greater profits over time for exchanges and wholesale financial intermediaries alike, even if overall Company revenues remain consistent. This is largely because automated and electronic trading efficiency allows the same number of employees to manage a greater volume of trades as the marginal cost of incremental trading activity falls. Over time, the conversion of exchange-traded and OTC markets to Fully Electronic trading has also typically led to an increase in volumes which offset lower commissions, and often lead to similar or higher overall revenues. We have been a pioneer in creating and encouraging Hybrid and Fully Electronic execution, and we continually work with our customers to expand such trading across more asset classes and geographies.

Outside of U.S. Treasuries and spot FX, the banks and financial firms that dominate the OTC markets had, until recent years, generally been hesitant in adopting electronically traded products. However, banks, broker-dealers, and other professional trading firms are now much more active in Hybrid and Fully Electronically traded markets across various OTC products, including credit derivative indices, FX derivatives, non-U.S. sovereign bonds, corporate bonds, and interest rate derivatives. These electronic markets have grown as a percentage of overall industry volumes for the past few years as firms like BGC have invested in the kinds of technology favored by our customers. Regulation in banking, capital markets, and OTC derivatives has accelerated the adoption of Fully Electronic execution, and we expect this demand to continue. We also believe that new clients, beyond our large bank customer base, will primarily transact electronically across our Fenics platforms.

The combination of wider adoption of Hybrid and Fully Electronic execution and our competitive advantage in terms of technology and experience has contributed to our strong growth in electronically traded products. We continue to invest in our high-growth, high-margin, technology-driven businesses, including our standalone Fully Electronic Fenics Growth Platforms. Fenics has exhibited strong growth over the past several years, and we believe that this growth has outpaced the wholesale brokerage industry as a whole. We expect this trend to accelerate as we convert more of our Voice and Hybrid execution into higher-margin, technology-driven execution across our Fenics platforms and grow our Fenics Growth Platforms.

We expect to benefit from the secular trend towards electronic trading, increased demand for market data, and the need for increased connectivity, automation and post-trade services. We continue to onboard new customers as the opportunities created by electronic and algorithmic trading continue to transform our industry. We continue to roll out our next-gen Fenics execution platforms across more products and geographies with the goal of seamlessly integrating Voice liquidity with customer electronic orders either by a graphical user interface, application programming interface, or web-based interface, and we expect to have continued success converting Voice/Hybrid desks over time as we roll out these platforms across more products and geographies.

We have continued to invest in our Fenics Growth Platforms, which currently include:

- Fenics UST, for which average daily volumes grew by over 71% during the quarter and is the second largest CLOB platform for U.S. Treasuries. This compares with an increase of approximately 2% for overall primary dealer U.S. Treasury volumes with maturities greater than 2 years. Primary dealer volumes are based on data from the Securities Industry and Financial Markets Association. CLOB market share increased from 10% a year ago to over 17% in the second quarter. CLOB market share is based on BGC's estimates and data from Greenwich Associates. Nearly 65% of all CLOB trades in the second quarter were transacted at prices only offered on the Fenics UST platform, providing a tremendous competitive advantage. Fenics UST is estimated to have saved our clients over \$32 million in the second quarter and over \$213 million from January 2019 through June 2021 by offering the tightest spreads in the market. As a result of our continued technological innovations and strong client support, we expect both volumes and market share to continue to outperform the overall market. Additionally, Fenics UST optimized its commercial agreements going into 2021, which together with higher volumes, has driven revenue growth. Additionally, Fenics UST will be launching U.S. Repos on the platform in August 2021, following on the recent successful launch of UST Bills.
- Fenics GO, our global options electronic trading platform, which provides live, real-time, and tradeable two-way electronic liquidity for exchange-listed futures and options, such as Eurex Euro Stoxx 50 Index Options, Euro Stoxx Banks Index Options, Nikkei 225 Index Options, Hang Seng Chinese Enterprise Index Options (HSCEI), DAX Index Options and related Delta One strategies. In May 2021, Fenics GO, launched Korea Composite Stock Price Index (KOSPI) options, which quickly grew to over 12 percent of estimated block-sized front-month market share in June 2021. Additionally, Fenics GO has continued to scale Hang Seng



Chinese Enterprise Index (HSCEI) option volumes, where GO represented over 26 percent of estimated market share in June 2021, only six months after launch. Fenics GO electronic liquidity providers include Susquehanna International Securities (SIG), which joined DRW, Lighthouse, Citadel Securities, IMC, Maven Securities, Optiver and Akuna Capital as electronic liquidity providers. Strong performance across its newly launched Asian index options offering, including HSCEI and KOSPI, drove volumes during the second quarter of 2021. Fenics GO is the only anonymous multilateral electronic platform for block-sized listed equity index options, giving it a unique advantage in helping clients satisfy their best execution requirements. Following the success of its recent APAC expansion, Fenics GO plans to launch U.S. listed options by the end of 2021.

- Lucera, which is our software-defined network, offering the trading community direct connectivity to each other. Lucera has a fully built, scalable infrastructure that provides clients electronic trading connectivity with their counterparties within days, as opposed to months, and at a significantly lower cost. Lucera is comprised of three main business lines, LumeMarkets, LuceraConnect and LumeALFA. LumeMarkets is our low latency aggregator, providing a single access point across multiple fragmented marketplaces and exchanges (FX, Rates, Futures and Credit markets). LuceraConnect provides on-demand connectivity to over one thousand endpoints across buy-side clients, trading firms, marketplaces, and exchanges. LuceraConnect has quickly become the industry standard for the FX market and is rapidly expanding in other asset classes. Lucera also supports the distribution of Fenics trading platforms, including Fenics UST, Fenics FX and Fenics MIDFX. Algomi, acquired in March 2020, which is a dealer-to-client credit marketplace for banks streaming to buy-side clients, provides the buy-side aggregated access to broad bank liquidity. This subscription SaaS improves their workflow and liquidity through data aggregation, pre-trade information analysis, and execution facilitation. We have rebranded Algomi to LumeALFA, a new product that combines the functionality of Algomi Alfa's aggregation with Lucera's global bank and buy side connectivity, and credit and rates execution, and are integrating this business with our existing Lucera SaaS connectivity subscription service in order to provide both data and execution capabilities directly between banks/dealers and their buy side customers.
- Fenics Portfolio Match, our newly developed session-based Credit portfolio trading solution, continued to gain traction during the quarter, with volumes quadrupling versus the first quarter of 2021. Since its fourth quarter 2020 launch, over 30 bank counterparties have uploaded bond portfolios totaling over \$650 billion in notional value to the platform. Portfolio Match currently supports U.S. and European investment grade credit, and European high yield credit. U.S. high yield credit sessions are expected to launch in the fourth quarter of 2021.
- Our expanded Fenics FX platforms, which has businesses included under both Fenics Markets and Fenics Growth Platforms, including MIDFX, Spot FX, and FX Options, and non-deliverable forwards; and
- Capitalab, which has businesses included under both Fenics Markets and Fenics Growth Platforms.

Collectively, our newer Fenics offerings, such as those listed above, are not yet fully up to scale, and are not yet generating significant revenues. Fenics revenue comprised 21% overall revenue, excluding Insurance brokerage, for the second quarter of 2021, representing its highest ever contribution. Additionally, revenue growth from Fenics Growth Platforms continued to significantly outpace the overall business. Over time, we expect these new products and services to become profitable, high-margin businesses as their scale and revenues increase, all else equal.

Fenics Markets includes Fenics Integrated, introduced during the second quarter of 2020, which seamlessly integrates hybrid liquidity with customer electronic orders either by GUI and/or API. Desks are categorized as "Fenics Integrated" if they utilize sufficient levels of technology such that significant amounts of their transactions can be or are executed without broker intervention and have expected pre-tax margins of at least 25%. Fenics brokerage revenues include revenues from Fenics Integrated from the second quarter of 2020 onward. We believe that Fenics Integrated will enhance profit margins by further incentivizing our brokers and clients to automate execution and create superior real-time information and improve the robustness and value of Fenics Market Data, which will accelerate our growth rate.

Fenics Markets notable highlights for the second quarter of 2021 include:

- Fenics MIDFX, our leading wholesale FX hedging platform, grew its revenue by approximately 25% versus the prior year. Building on the longstanding success in Spot FX, Fenics MIDFX launched Asian non-deliverable forwards at the beginning of 2021, which have continued to gain traction throughout the year.
- Fenics Direct, our web-delivered FX options platform, had a record quarter and more than doubled its volumes and revenue.



- Fenics Market Data signed a record number of new contracts during the quarter, with total contracted value increasing by nearly 150% compared to last year.
- Capitalab's NDF Match business, our advanced web-based matching platform that helps clients reduce foreign exchange exposure, generated record revenue during the quarter. Since its launch in 2017, NDF Match has grown its market share and has become a leading solution for post-trade risk reduction.

Revenues in our Fenics businesses increased 23.5% to \$97.0 million and 32.9% to \$204.6 million for the three and six months ended June 30, 2021, respectively, compared to the prior year period. Within our Fenics businesses, Fenics Markets revenue grew 21.0% to \$86.4 million, and Fenics Growth Platforms grew 48.4% to \$10.6 million. Fenics Markets had a pre-tax margin of 29.9% in the second quarter of 2021.

Total revenues from our high-margin data, software, and post-trade business, which is predominately comprised of recurring revenue, were up 7.3% and 10.2% for the three and six months ended June 30, 2021, respectively, over the prior year period and Fenics brokerage revenues increased by 28.9% to \$75.3 million and 40.6% to \$160.9 million, for the three and six months ended June 30, 2021, respectively. Going forward, we expect Fenics to become an even more valuable part of BGC as it continues to grow. We continue to analyze how to optimally configure our Voice/Hybrid and Fully Electronic businesses.

### ***Possible Corporate Conversion***

The Company continues to explore a possible conversion into a simpler corporate structure. Our board and committees have hired advisors and are reviewing the potential structure and details of such conversion. Should the Company decide to move forward with a corporate conversion, it will continue to work with regulators, lenders, and rating agencies.

### ***Cost Reduction Program***

The Company is continuing to examine how best to operate our business with the goal of reducing expenses. During the first quarter of 2020, we implemented a \$35.0 million cost reduction program to reduce our compensation-related cost base and streamline our operations, which resulted in \$6.8 million and \$29.5 million of U.S. GAAP compensation charges recorded under this program for the three and six months ended June 30, 2020, respectively. U.S. GAAP items recorded include:

- Certain severance charges incurred in connection with headcount reductions as part of a broad cost reduction program; and
- Certain compensation and non-compensation-related charges incurred as part of a broad cost reduction program. Such U.S. GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives.

### ***Insurance Disposition***

On May 26, 2021, the Company announced that it has entered into an agreement to sell its Insurance brokerage business to The Ardonagh Group for \$500 million of cash consideration, subject to adjustments for working capital and other certain closing adjustments. As of June 30, 2021, the Company's Insurance brokerage business met the criteria to be classified as held for sale. The sale of the business did not represent a strategic shift that would have a major effect on the Company's operations and financial results and was, therefore, not classified as discontinued operations.

BGC's Insurance brokerage business contributed \$54.4 million and \$106.9 million in Total revenues for the three and six months ended June 30, 2021, respectively. No impairment charge was recorded for the sale of Insurance brokerage business for the three and six months ended June 30, 2021 as the carrying amount of the net assets was less than the fair value less costs to sell.

Equity awards previously granted by the Company to employees of its Insurance brokerage business will be converted into the right to receive a cash payment from BGC; 50% vests and is paid in cash at closing of the proposed transaction and 50% vests and is paid in cash two years after closing, if the applicable employee remains an employee of the buyer. CF&Co served as advisor to the Company and, upon the closing of the proposed transaction, will receive a fee consistent with market rates in connection with the proposed transaction. The Company expects to complete the sale prior to December 31, 2021.

### **Financial Services Industry**

The financial services industry has grown historically due to several factors. One factor was the increasing use of derivatives to manage risk or to take advantage of the anticipated direction of a market by allowing users to protect gains and/or guard against losses in the price of underlying assets without having to buy or sell the underlying assets. Derivatives are often

used to mitigate the risks associated with interest rates, equity ownership, changes in the value of FX, credit defaults by corporate and sovereign debtors, and changes in the prices of commodity products. Over this same timeframe, demand from financial institutions, large corporations and other end-users of financial products have increased volumes in the wholesale derivatives market, thereby increasing the business opportunity for financial intermediaries.

Another key factor in the historical growth of the financial services industry has been the increase in the number of new financial products. As market participants and their customers strive to mitigate risk, new types of equity and fixed income securities, futures, options and other financial instruments have been developed. Most of these new securities and derivatives were not immediately ready for more liquid and standardized electronic markets, and generally increased the need for trading and required broker-assisted execution.

Due largely to the impacts of the global financial crisis of 2008-2009, our businesses had faced more challenging market conditions from 2009 until the second half of 2016. Accommodative monetary policies were enacted by several major central banks, including the Federal Reserve, Bank of England, Bank of Japan and the European Central Bank, in response to the global financial crises. These policies resulted in historically low levels of volatility and interest rates across many of the financial markets in which we operate. The global credit markets also faced structural issues, such as increased bank capital requirements under Basel III. Consequently, these factors contributed to lower trading volumes in our Rates and Credit asset classes across most geographies in which we operated.

From mid-2016 until the first quarter of 2020, the overall financial services industry benefited from sustained economic growth, a lower unemployment rates in most major economies, higher consumer spending, the modification or repeal of certain U.S. regulations, and higher overall corporate profitability. In addition, the secular trend towards digitalization and electronification within the industry contributed to higher overall volumes and transaction count in Fully Electronic execution. From the second quarter of 2020 onward, concerns about the future trade relationship between the U.K. and the EU after Brexit, a slowdown in global growth driven by the outbreak of COVID-19, inflation expectation impact on U.S. rates volumes, and an increase in trade protectionism were tempered by monetary and fiscal stimulus.

### ***Impact of COVID-19***

#### **Impact of COVID-19 on Employees**

As a global intermediary to financial markets, BGC is considered an essential business in many of its various global locations where key employees are thus able to operate out of its primary offices around the world. We have nonetheless taken proactive measures intended to protect our employees and clients during this global pandemic. These policies and practices seek to protect the health, safety and welfare of our workforce while enabling employees to maintain a high level of performance. Certain of these items are summarized below:

- We activated our Business Continuity Plan in the first quarter of 2020. The vast majority of front-office personnel are working in a firm office and most BGC staff members are attending work in the office several days a week, while working remotely the other part of the week. Unvaccinated employees are required to wear masks in common spaces and when not able to maintain six feet of distance.
- We provide ongoing informational COVID-19-related messages and notices. We disseminated our COVID-19 policies and FAQs on a regular basis; they are also posted on the Company's intranet sites.
- Where applicable, we are applying more frequent and vigorous cleaning and sanitation measures and providing personal protective equipment (PPE).
- Internal and external meetings are sometimes held in person, as well as conducted virtually and via phone calls.
- We have deferred some corporate events and participation in industry conferences.
- Our medical plans have waived applicable member cost sharing for all medically necessary diagnostic testing related to COVID-19.
- We have reminded employees about our Employee Assistance Program and the ways it can assist them during this challenging time. There is a zero co-pay for Teladoc mental health visits through December 31, 2021.
- We provide paid leave in accordance with its policies and applicable COVID-19-related laws and regulations.

We continue to take significant steps to protect our employees and encourage them all to get vaccinated. Currently 82% of our employees are fully vaccinated.

#### **Impact of COVID-19 on the Company's Results**

## ***Revenues***

### **Voice/Hybrid and/or Higher-Margin, Technology-Driven Fenics Businesses**

We recorded total revenue of \$512.5 million, which reflected improved trading activity in the second half of the quarter, following softer industry-wide trading volumes in April.

For the three months ended June 30, 2021, Fenics revenues increased 23.5% driven by a \$15.0 million, or 21.0%, increase in Fenics Markets and a \$3.5 million, or 48.4%, increase in Fenics Growth Platforms.

Certain key items are summarized below:

- Revenues across Rates, Credit, FX, Equity derivatives and cash equities, Energy and commodities are generally correlated with corresponding industry volumes.
- The second quarter of 2021 provided a favorable Rates trading environment, particularly across BGC's U.S. government bond, inflation, and interest rate swap businesses.
- Energy & Commodities generated solid revenue growth, driven by strong performance in BGC's environmental brokerage business.
- Increasing concerns around U.S. inflation drove interest rate volatility higher and supported global Rates trading volumes.
- Conversely, quantitative easing measures taken by central banks around the world have lowered and may continue to lower market volumes should these programs remain in place for a sustained period of time.

We expect record levels of global debt issuance, interest rate volatility, and an improving U.S. and global economy to provide tailwinds to our Rates business going forward.

### **Overall Fenics**

- BGC's Fenics revenues increased 23.5% in the second quarter of 2021 compared to the prior year period.
- Fenics has benefited and is expected to continue to benefit from secular trend towards electronic execution and opportunities created by algorithmic trading and automation.
- The dislocations caused by COVID-19 have resulted in an even greater demand for the Company's electronic execution. We believe that the driver of this demand is the best-in-class market liquidity that only integrated global firms like BGC can provide.
- This benefit may be tempered by temporary shifts by traders toward Voice execution in certain markets during periods of extreme market turbulence.
- The pace of adoption of certain financial technology offerings may slow in the short-term due to physical dislocations experienced by BGC's employees and clients as a result of the pandemic. Our medium-to longer-term overall strategy with respect to Fenics is not expected to be impacted.
- BGC's data, software, and post-trade businesses are predominantly comprised of recurring revenues.

### **Insurance Brokerage**

- Our Insurance brokerage business generated record revenue during the second quarter of \$54.3 million, up 18.6% compared to the prior year period, driven by strong performance across the U.S. Property & Casualty markets and improved market conditions.
- The insurance brokerage industry typically generates significant amounts of predictable revenues at specific times of the year as different categories of clients sign or renew policies.
- Although certain clients may be facing financial hardship or dislocation due to the pandemic, the insurance brokerage industry has generally performed well during past economic downturns.

## ***Expenses***

BGC's compensation expenses increased in the second quarter of 2021 primarily due to an increase in charges related to grants of exchangeability and issuance of shares of BGC Class A common stock partially offset by the impact of lower

commissionable revenues on variable compensation. BGC's non-compensation expenses increased due to higher selling and promotion, and other expenses.

BGC has recorded or may potentially record amounts for certain expenses that are higher than they otherwise would have been due to the overall impact of the pandemic. Some of these items include:

- Non-cash impairment charges with respect to assets;
- Non-cash mark-to-market adjustments for non-marketable investments;
- Certain severance charges incurred in connection with headcount reductions as part of a broad cost reduction program;
- Certain compensation and non-compensation-related charges incurred as part of a broad cost reduction program. Such U.S. GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives;
- Expenses relating to setting up and maintaining remote and/or back-up locations; and
- Communication expenses related to additional voice and data connections.

Some of the above items may be partially offset by certain tax benefits. It is difficult to predict the amounts of any these items or when they might be recorded because they may depend on the duration, severity, and overall impact of the pandemic.

### **Capital and Liquidity**

With the outbreak of COVID-19, we reduced our dividend and focused on strengthening our balance sheet. Effective with the first quarter of 2020 dividend, the Board took the step of reducing the quarterly dividend out of an abundance of caution in order to strengthen the Company's balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions. On August 3, 2021, our Board declared a \$0.01 dividend for the second quarter of 2021. Additionally, BGC Holdings reduced its distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after-tax basis depends upon stockholders' and partners' domiciles and tax status. BGC believes that these steps will allow the Company to prioritize its financial strength. Our 2021 capital allocation priorities are to return capital to stockholders and to continue investing in our high growth Fenics businesses. Previously, we were deeply dividend-centric; going forward, we plan to prioritize share and unit repurchases over dividends and distributions. We plan to reassess our current dividend and distribution with an aim to nominally increase it toward the end of the year.

The balance sheet as of June 30, 2021 reflects the maturity of the 5.125% Senior Notes paid in full and the draw down of \$190.0 million on the Revolving Credit Agreement, ordinary movements in working capital, repurchases of BGC Class A common stock and LPU's, cash paid with respect to employee bonuses, tax payments, and our continued investment in Fenics Growth Platforms. We continue to manage our business with a focus on its investment grade ratings.

### ***Brexit***

On June 23, 2016, the U.K. held a referendum regarding continued membership of the EU. The exit from the EU is commonly referred to as Brexit. On January 1, 2021, the U.K. formally left the EU and U.K.-EU trade became subject to a new agreement that was concluded in December of 2020. Financial services falls outside of the scope of this trade agreement. Instead, the relationship will largely be determined by a series of "equivalence decisions," each of which would grant mutual market access for a limited subset of financial services where either party finds the other party has a regulatory regime that achieves similar outcomes to its own. It is currently unknown if or when equivalence decisions will be taken. In March 2021, the U.K. and EU agreed a Memorandum of Understanding on Financial Services Regulatory Cooperation which creates a structure for dialogue but does not include commitments on equivalence.

In light of ongoing uncertainties, market participants are still adjusting. The exact impact of Brexit on the U.K.-EU flow of financial services therefore remains unknown. This same uncertainty applies to the consequences for the economies of the U.K. and the EU member states as a result of the U.K.'s withdrawal from the EU.

We have implemented plans to ensure continuity of service in Europe and continue to have regulated entities in place in many of the major European markets. As part of our Brexit strategy, ownership of BGC Madrid, Copenhagen and Frankfurt & GFI Paris, Madrid and Dublin branches was transferred to Aurel BGC SAS (a French-based operation and therefore based in the EU) in July 2020, BGC's Insurance division has established new brokerage platforms in Cyprus and France, and we have been generally increasing our footprint in the EU.

Regardless of these and other mitigating measures, our European headquarters and largest operations are in London, and market access risks and uncertainties have had and could continue to have a material adverse effect on our customers, counterparties, businesses, prospects, financial condition and results of operations. Furthermore, in the future the U.K. and EU's regulation may diverge, which could disrupt and increase the costs of our operations, and result in a loss of existing levels of cross-border market access.

### ***Regulation***

Regulators in the U.S. have finalized most of the new rules across a range of financial marketplaces, including OTC derivatives, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Many of these rules became effective in prior years, while ongoing phase-ins are anticipated over coming years. We believe that certain parts of the Dodd-Frank Act rules may be modified or repealed, which could be a net positive for our business and its largest customers. However, there can be no assurance that these rules will be amended, and we continue to expect the industry to be more heavily regulated than it was prior to the financial crisis of 2008-2009, and we are prepared to operate under a variety of regulatory regimes.

In addition to regulations in the U.S., legislators and regulators in Europe have crafted similar rules; MiFID II, which made sweeping changes to market infrastructure, European Market Infrastructure Regulation, which focused specifically on derivatives, and Capital Requirements Directive IV for prudential standards. Over the past years, European policymakers have launched various reviews of post-crisis legislation, leading to legislative updates such as EMIR Regulatory Fitness and Performance and CRD V. Furthermore, they introduced a new prudential regime tailored specifically to investment firms such as our firm – the Investment Firm Review. As all these rules take effect, they will continue to alter the environment in which we operate. We note that various internal and external factors have made the EU more rigid in its approach to non-EU countries which could impact the ease with which the global financial system is connected.

In 2019, a new European Commission took office which may over the course of its five-year mandate or introduce new legislative proposals for the Financial Services Sector and change the Brexit landscape for EU and U.K. financial firms alike. We are unable to predict how any of these new laws and proposed rules and regulations in the U.S. or the U.K. will be implemented or in what form, or whether any additional or similar changes to statutes or rules and regulations, including the interpretation or implementation thereof or a relaxation or other amendment of existing rules and regulations, will occur in the future. Any such action could affect us in substantial and unpredictable ways, including important changes in market infrastructure, increased reporting costs and a potential rearrangement in the sources of available revenue in a more transparent market. Certain enhanced regulations could subject us to the risk of fines, sanctions, enhanced oversight, increased financial and capital requirements and additional restrictions or limitations on our ability to conduct or grow our businesses, and could otherwise have an adverse effect on our businesses, financial condition, results of operations and prospects. We believe that uncertainty and potential delays around the final form of such new rules and regulations may negatively impact our customers and trading volumes in certain markets in which we transact, although a relaxation of existing rules and requirements could potentially have a positive impact in certain markets. Increased capital requirements may also diminish transaction velocity.

BGC Derivative Markets and GFI Swaps Exchange, our subsidiaries, began operating as SEFs on October 2, 2013. Both BGC Derivative Markets and GFI Swaps Exchange received permanent registration approval from the CFTC as SEFs on January 22, 2016. Mandatory Dodd-Frank Act compliant execution on SEFs by eligible U.S. persons commenced in February 2014 for “made available to trade” products, and a wide range of other rules relating to the execution and clearing of derivative products were finalized with implementation periods in 2016 and beyond. We also own ELX, which became a dormant contract market on July 1, 2017. As these rules require authorized execution facilities to maintain robust front-end and back-office IT capabilities and to make large and ongoing technology investments, and because these execution facilities may be supported by a variety of voice and auction-based execution methodologies, we expect our Hybrid and Fully Electronic trading capability to perform strongly in such an environment.

In November 2018, the CFTC issued proposed rules that would significantly revise CFTC Rule Part 37, which relates to SEFs. The proposed rules would significantly affect the trading of swaps and the facilities offering swaps trading by allowing for trading through “any means of interstate commerce” rather than the two (central limit order book and request for quote) methods prescribed under the current rules. The proposed rules may also expand the number and type of swaps required to be executed on SEFs. If these rules are passed, our SEFs will need to make numerous changes to facilitate trading under a new regulatory framework. A new CFTC Chairman was sworn in on July 15, 2019, and this change in leadership could impact these proposals.

On June 25, 2020, the CFTC approved a final rule prohibiting post-trade name give-up for swaps executed, prearranged or pre-negotiated anonymously on or pursuant to the rules of a SEF and intended to be cleared. The rule provides exemptions for package transactions that include a component transaction that is not a swap that is intended to be cleared. The rule went into effect on November 1, 2020 for swaps subject to the trade execution requirement under the Commodity

Exchange Act Section 2(h)(8) and July 5, 2021 for swaps not subject to the trade execution requirement, but intended to be cleared.

See “Regulation” included in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information related to our regulatory environment.

### ***Industry Consolidation***

In recent years, there has been significant consolidation among the interdealer-brokers and wholesale brokers with which we compete. We expect to continue to compete with the electronic markets, post-trade and information businesses of NEX, that are part of CME now, through the various offerings on our Fenics platform. We will also continue to compete with TP ICAP and Tradition across various Voice/Hybrid brokerage marketplaces as well as via Fenics. Additionally, there has been an increase in acquisitions of OTC trading platforms by exchanges such as ICE buying BondPoint, Deutsche Börse buying 360T, and CBOE buying Hotspot, etc. We view the recent consolidation in the industry favorably, as we expect it to provide additional operating leverage to our businesses in the future.

### ***Growth Drivers***

As a wholesale intermediary in the financial services industry, our businesses are driven primarily by secondary trading volumes in the markets in which we broker, the size and productivity of our front-office headcount including brokers, salespeople, managers and other front-office personnel, regulatory issues, and the percentage of our revenues we are able to generate by Fully Electronic means. BGC’s revenues tend to have low correlation in the short and medium-term with global bank and broker-dealer sales and trading revenues, which reflect bid-ask spreads and mark-to-market movements, as well as industry volumes in both the primary and secondary markets.

Below is a brief analysis of the market and industry volumes for some of our products, including our overall Hybrid and Fully Electronic execution activities.

### ***Overall Market Volumes and Volatility***

Volume is driven by a number of factors, including the level of issuance for financial instruments, price volatility of financial instruments, macro-economic conditions, creation and adoption of new products, regulatory environment, and the introduction and adoption of new trading technologies. Historically, increased price volatility has often increased the demand for hedging instruments, including many of the cash and derivative products that we broker.

Rates volumes in particular are influenced by market volumes and, in certain instances, volatility. Historically low and negative interest rates across the globe have significantly reduced the overall trading appetite for rates products. As a result of central bank policies and actions, many sovereign bonds continue to trade at or close to negative yields, especially in real terms. Also, weighing on yields and rates volumes are global central bank quantitative easing programs. The programs depress rates volumes because they entail central banks buying government securities or other securities in the open market in an effort to promote increased lending and liquidity and bring down long-term interest rates. When central banks hold these instruments, they tend not to trade or hedge, thus lowering rates volumes across cash and derivatives markets industry-wide. Following the market dislocation and ongoing pandemic, major central banks such as the U.S. Federal Reserve, ECB, Bank of Japan, Bank of England, and Swiss National Bank have restarted quantitative easing programs, and continue to maintain historically low interest rates, keep key short-term interest rates low, or a combination of both. The overall dollar value of balance sheets of many developed countries such as the U.S., Japan, U.K., as well as the Eurozone is expected to increase and remain high as a percentage of GDP over the medium-to-long-term.

Additional factors have weighed on market volumes in the products we broker. For example, the Basel III accord, implemented in late 2010 by the G-20 central banks, is a global regulatory framework on bank capital adequacy, stress testing and market liquidity risk that was developed with the intention of making banks more stable in the wake of the financial crisis by increasing bank liquidity and reducing bank leverage. The accord, which is expected to be fully phased in as of January 1, 2022, has already required most large banks in G-20 nations to hold approximately three times as much Tier 1 capital as was required under the previous set of rules. These capital rules have made it more expensive for banks to hold non-sovereign debt assets on their balance sheets, and as a result, analysts say that banks have reduced their proprietary trading activity in corporate and asset-backed fixed income securities as well as in various other OTC cash and derivative instruments. We believe that this has further reduced overall market exposure and industry volumes in many of the products we broker, particularly in Credit.

During the three months ended June 30, 2021, industry volumes were mixed year-over-year for Rates, generally lower across Credit, Energy & Commodities, U.S. cash equities and European equities and generally higher across FX and U.S. Equity derivatives. BGC’s brokerage revenues, excluding Insurance, were down by 4.3% year-on-year in the quarter, which



reflected improved trading activity in the second half of the quarter, following softer industry-wide trading volumes in April. Below is an expanded discussion of the volume and growth drivers of our various brokerage product categories.

### ***Rates Volumes and Volatility***

Our Rates business is influenced by a number of factors, including global sovereign issuances, secondary trading and the hedging of these sovereign debt instruments. The amount of global sovereign debt outstanding remains high by historical standards; however the level of secondary trading and related hedging activity was higher during the second quarter of 2021 due to the elevated levels of volatility and trading volume related to the onset of the COVID-19 pandemic during the first quarter of last year. In addition, according to SIFMA and the Federal Reserve Bank of New York, the average daily volume of various U.S. Treasuries, excluding Treasury bills, among primary dealers was flat in the second quarter of 2021 as compared to a year earlier. However, volumes of longer-dated U.S. Treasuries, with maturities greater than two years, increased 2.0% compared to the prior year. Additionally, interest rate derivative volumes were up 19.4% and 24.5% at ICE and the CME, respectively, all according to company press releases. In comparison, our revenue from Fenics Rates increased 44.7%, while our overall Rates revenues were up 2.6% as compared to a year earlier to \$136.5 million.

Our Rates revenues, like the revenues for most of our products, are not fully dependent on market volumes and, therefore, do not always fluctuate consistently with industry metrics. This is largely because our Voice, Hybrid, and Fully Electronic Rates desks often have volume discounts built into their price structure, which results in our Rates revenues being less volatile than the overall industry volumes.

Overall, analysts and economists expect the absolute level of sovereign debt outstanding to remain at elevated levels for the foreseeable future as governments finance their future deficits and roll over their sizable existing debt. Additionally, yields on benchmark U.S. Treasuries exhibited volatility during the second quarter of 2021 on future inflation concerns. While most economists expect that the effects of various forms of quantitative easing being undertaken by the various major central banks will continue to negatively impact financial market volumes, elevated levels of government debt issuance, coupled with the potential for rising U.S. interest rates and volatility, are expected to provide tailwinds to our Rates business.

### ***FX Volumes and Volatility***

Global FX volumes were generally higher during the second quarter of 2021. Volumes for CME FX futures and options, Refinitiv and CME EBS spot FX were up 6.1%, 8.0%, and down 1.1%, respectively, during the quarter. In comparison, our revenue from Fenics FX increased 68.2%, while our overall FX revenues decreased by 2.1% to \$72.8 million.

### ***Insurance Brokerage***

Our overall Insurance Brokerage business, which is being sold to The Ardonagh Group, includes Ed Broking and Besso, as well as our aviation and space insurance brokerage business, Piiq. The pre-tax loss relating to Insurance was \$6.7 million and \$7.3 million for the three months ended June 30, 2021 and 2020, respectively. Insurance posted record revenues of \$54.3 million for the second quarter of 2021 as it continued to benefit from strong performance across the U.S. property & casualty markets and improved market conditions. The pre-tax loss relating to Insurance was \$7.1 million and \$15.8 million for the six months ended June 30, 2021 and 2020, respectively. Our Insurance brokerage business growth was also driven by new business lines, including its aviation & aerospace business, Piiq Risk Partners, which won new key clients.

### ***Equity derivatives and cash equities***

Global equity volumes were down during the second quarter of 2021. Research from Raymond James indicated that the average daily volumes of U.S. cash equities and U.S. options were down 14.7% and 29.0%, respectively, as compared to a year earlier, while average daily volume of European cash equities shares were down 7.2% (in notional value). Over the same timeframe, Eurex average daily volumes of equity derivatives were down 14.3% while Euronext equity derivative index volumes declined by 24.6%. BGC's equity business primarily consists of equity derivatives. Our overall revenues from Equity derivatives and cash equities decreased by 1.5% to \$60.8 million.

### ***Credit Volumes***

The cash portion of our Credit business is impacted by the level of global corporate bond issuance, while both the cash and credit derivatives parts of our business is impacted by corporate issuance. Global credit derivative market turnover has declined over the last few years due to the introduction of rules and regulations around the clearing of credit derivatives in the U.S. and elsewhere, along with non-uniform regulation across different geographies. In addition, many of our large bank customers continue to reduce their inventory of bonds and other credit products in order to comply with Basel III and other

international financial regulations. During the second quarter of 2021, primary dealer average daily volume for corporate bonds (excluding commercial paper) was down by 30.5% according to Bloomberg and the Federal Reserve Bank of New York. Total notional traded credit derivatives as reported by the International Swaps and Derivatives Association — a reflection of the OTC derivatives market — were down by 13.7%, from a year earlier. In comparison, our overall Credit revenues decreased by 24.2% to \$72.6 million.

### ***Energy and Commodities***

Energy and commodities volumes were generally lower during the second quarter of 2021 compared with the year earlier. CME and ICE energy futures and options volumes were down 5.8% and 8.4%, respectively. Historically lower sustained prices across energy and commodities reduced demand for underlying product hedges. In comparison, BGC's energy and commodities revenues increased by 4.8% to \$74.7 million.

## **REGULATORY ENVIRONMENT**

See "Regulation" in Part I, Item 1 of our Annual Report on Form 10-K for additional information related to our regulatory environment.

## **LIQUIDITY**

See "Liquidity and Capital Resources" herein for information related to our liquidity and capital resources.

## **HIRING AND ACQUISITIONS**

Key drivers of our revenue are front-office producer headcount and average revenue per producer. We believe that our strong technology platform and unique compensation structure have enabled us to use both acquisitions and recruiting to profitably grow at a faster rate than our largest competitors since our formation in 2004. We reduced front office headcount with a focus on underperforming or less profitable brokers, which helped improve our average revenue per producer.

We have invested significantly through acquisitions and the hiring of new brokers, salespeople, managers and other front-office personnel. The business climate for these acquisitions has been competitive, and it is expected that these conditions will persist for the foreseeable future. We have been able to attract businesses and brokers, salespeople, managers and other front-office personnel to our platform as we believe they recognize that we have the scale, technology, experience and expertise to succeed.

Our average revenue per front-office employee has historically declined year-over-year for the period immediately following significant headcount increases, and the additional brokers and salespeople generally achieve significantly higher productivity levels in their second or third year with the Company. Excluding Insurance, as of June 30, 2021, our front-office headcount was 2,196 brokers, salespeople, managers and other front-office personnel, down 8.0% from 2,388 a year ago. Compared to the prior year period, average revenue per front-office employee for the three and six months ended June 30, 2021, increased by 5.7% to approximately \$198 thousand and 4.7% to approximately \$421 thousand, respectively, despite overall revenue being lower versus the prior year. On a stand-alone basis, our front-office Insurance headcount increased by 25.7% to 547 from 435 a year ago.

The laws and regulations passed or proposed on both sides of the Atlantic concerning OTC trading seem likely to favor increased use of technology by all market participants, and are likely to accelerate the adoption of both Hybrid and Fully Electronic execution. We believe these developments will favor the larger inter-dealer brokers over smaller, non-public local competitors, as the smaller players generally do not have the financial resources to invest the necessary amounts in technology. We believe this will lead to further consolidation across the wholesale financial brokerage industry, and thus allow us to grow profitably.

Since 2019, our acquisitions have included Ed Broking, Ginga Petroleum, Algomi and several smaller acquisitions.

On January 31, 2019, we completed the acquisition of Ed Broking, an independent Lloyd's of London insurance broker with a strong reputation across accident and health, aerospace, cargo, energy, financial and political risks, marine, professional and executive risks, property and casualty, specialty and reinsurance. Ed Broking has become part of the Company's overall Insurance brokerage business.

On March 12, 2019, we completed the acquisition of Ginga Petroleum. Ginga Petroleum provides a comprehensive range of broking services for physical and derivative energy products, including naphtha, liquefied petroleum gas, fuel oil, biofuels, middle distillates, petrochemicals and gasoline.



On March 6, 2020, we completed the acquisition of Algomi, a software company operating under a SaaS model that provides technology to bond market participants to improve their workflow and liquidity by data aggregation, pre-trade information analysis and execution facilitation.

## FINANCIAL HIGHLIGHTS

For the three months ended June 30, 2021, we had income (loss) from operations before income taxes of \$21.7 million compared to \$47.9 million in the year earlier period. This decrease was largely a result of an increase in both compensation and non-compensation expenses in the three months ended June 30, 2021. Total revenues for the three months ended June 30, 2021, decreased \$6.6 million, or 1.3%, to \$512.5 million, which was primarily driven by record levels of volatility and volumes related to the onset of the COVID-19 pandemic beginning in the first quarter of 2020. For the six months ended June 30, 2021, income from operations before income taxes increased by \$16.8 million, or 21.3%, to \$95.7 million compared to the same period in 2020, primarily due to a decrease of \$46.3 million, or 4.4%, in our expenses more than offsetting the decline in revenues. This was principally a result of a \$50.0 million decrease in Compensation and employee benefits, primarily driven by the impact of lower commission revenues on variable compensation as well as the cost reduction program which the Company implemented in the first quarter of 2020 to reduce its cost base to improve margins. Total revenues for the six months ended June 30, 2021 decreased by \$42.2 million, or 3.8%, to \$1,080.0 million compared to the prior year period. The first quarter of 2020 was unique in that it reflected record market volatility and volumes driven by the onset of the COVID-19 pandemic. We continue to make excellent progress with respect to our investments in Fenics. Our Fenics growth accelerated during the second quarter, with revenues increasing by 23.5% and represented 21.2% of our total revenues, excluding our Insurance brokerage business, its highest ever contribution. The growth in our Fenics platforms continued to significantly outpace the overall business as we added new clients and expanded our product offerings. As we continue to grow our higher margin businesses, we are well positioned for increased profitability.

Brokerage revenues for the three months ended June 30, 2021 decreased by \$10.3 million, or 2.1%, to \$471.8 million compared to the same period in 2020. For the six months ended June 30, 2021, our brokerage revenues decreased by \$45.5 million, or 4.3%, to \$1,005.7 million compared to the same period in 2020. The decline in our brokerage revenues was primarily driven by Credit revenues, which decreased by \$23.2 million, to \$72.6 million, and \$30.3 million, to \$162.7 million, for the three and six months ended June 30, 2021, respectively, due to significantly lower industry-wide trading volumes. For the six months ended June 30, 2021, our FX revenues decreased \$12.5 million, to \$156.2 million, and revenues from Equity derivatives and cash equities decreased by \$12.3 million, to \$131.3 million. Our Insurance brokerage business generated 18.6% and 17.7% growth for the three and six months ended June 30, 2021, respectively, driven by new hires in aviation and reinsurance. Our Insurance brokerage business benefited from favorable pricing trends and improved productivity from previously hired brokers and salespeople. The second quarter of 2021 provided a favorable trading environment across many of the Rates products BGC brokers, particularly across BGC's U.S. government bond, inflation, and interest rate swap businesses. Energy and commodities generated solid revenue growth during the three months ended June 30, 2021, driven by strong performance in our environmental brokerage business. Revenues in our Fenics business increased 23.5% to \$97.0 million and 32.9% to \$204.6 million, respectively, for the three and six months ended June 30, 2021, compared to the prior year period.

Beginning in the first quarter of 2021, BGC categorized its Fenics businesses as Fenics Markets and Fenics Growth Platforms. Fenics Markets includes the Fully Electronic portions of BGC's brokerage businesses, data, software and post-trade revenues that are unrelated to Fenics Growth Platforms, as well as Fenics Integrated revenues. Fenics Growth Platforms includes Fenics UST, Fenics GO, Lucera, Fenics FX and other newer standalone platforms. Revenues generated from data, software and post-trade attributable to Fenics Growth Platforms are included within their related businesses. Fenics Markets and Fenics Growth Platforms compete with companies such as CME, Tradeweb and MarketAxess. Fenics Markets revenues comprised \$86.4 million, an improvement of \$15.0 million, or 21.0%, which reflected higher conversion of Voice and Hybrid execution to Fenics brokerage, increased contribution from Fenics Integrated, and strong growth across Rates, FX and Market Data. Fenics Growth Platforms revenues comprised \$10.6 million, an increase of \$3.5 million, or 48.4%, driven by strong growth in Fenics UST, Lucera and Fenics GO. During the second quarter of 2020, we introduced Fenics Integrated, which seamlessly integrates hybrid liquidity with customer electronic orders. We believe that Fenics Integrated will enhance profit margins by further incentivizing the Company's brokers and clients to automate execution. We believe that Fenics Integrated will create superior real-time information, improving the robustness and value of Fenics Market Data, which will accelerate our growth. As we expand our product offerings, optimize our commercial agreements, and add new clients across our electronic platforms, we continue to expect profitability in our newer Fenics Growth Platforms, which includes Fenics UST, Fenics GO, Lucera, Fenics FX and other newer standalone platforms.

Total expenses for the three months ended June 30, 2021 increased \$20.5 million to \$494.0 million compared to the prior year period, primarily due to a \$17.3 million increase in total compensation expenses. Within total compensation, our Equity-based compensation and allocations of net income to limited partnership units and FPU's increased by \$30.5 million to \$58.3 million due to an increase in charges related to grants of exchangeability and issuance of shares of BGC Class A common

stock, while expenses for Compensation and employee benefits decreased by \$13.2 million to \$270.4 million due to the impact of lower commissionable revenues on variable compensation. The \$3.2 million increase in non-compensation expenses was primarily driven by higher selling and promotion expenses, an increase in other expenses driven by legal settlement and litigation costs, and an increase in interest expense related to the 4.375% Senior Notes issued on July 10, 2020 partially offset by lower interest expense recorded on the 5.125% Senior Notes due to repayment in full on May 27, 2021, partially offset by reduced professional and consulting fees. Total expenses for the six months ended June 30, 2021 decreased by \$46.3 million to \$994.3 million compared to the prior year period, primarily driven by a \$50.0 million decrease in Compensation and employee benefits, due to the impact of lower commission revenues on variable compensation as well as the cost reduction program which the Company implemented in the first quarter of 2020 to reduce its cost base to improve margins. Our non-compensation expenses decreased by \$18.1 million, or 5.3%, primarily driven by a continued focus on tighter cost management as well as the impact of COVID-19, including lower selling and promotion expenses, as well as reduced professional and consulting fees. This was partially offset by an increase of \$21.8 million, or 31.1%, in Equity-based compensation and allocations of net income to limited partnership units and FPU's due to an increase in charges related to grants of exchangeability and issuance of shares of BGC Class A common stock.

Total other income (losses), net for the three months ended June 30, 2021 increased \$0.9 million, to \$3.2 million compared to the prior year period, primarily due to an increase in other recoveries related to our Insurance brokerage business, and an increase related to mark-to-market movements on other assets, partially offset by a decrease related to COVID-19 recoveries in the three months ended June 30, 2020. Total other income (losses), net for the six months ended June 30, 2021, increased \$12.8 million, to \$10.0 million compared to the prior year period, primarily due to an increase related to mark-to-market movements on other assets, a gain recognized on a litigation resolution in the first quarter of 2021, and an increase due to an impairment of an equity-method investment recorded in the first quarter of 2020 compared to no impairment recorded in the six months ended June 30, 2021.

In addition, for the three months ended June 30, 2021, income from operations before income taxes decreased by \$52.4 million, to \$21.7 million, compared to income from operations before income taxes of \$74.1 million for the three months ended March 31, 2021. Total revenues for the three months ended June 30, 2021 decreased by \$55.1 million, or 9.7%, to \$512.5 million. This was principally a result of a \$62.2 million decrease in brokerage revenues, which was largely driven by a decrease of \$25.3 million in Rates revenues, a \$17.4 million decrease in Credit, a \$10.6 million decrease in FX, and a \$9.6 million decrease in Equity derivatives and cash equities. Total expenses for the three months ended June 30, 2021 decreased \$6.4 million, to \$494.0 million, compared to the three months ended March 31, 2021, primarily due to a \$12.9 million decrease in total compensation expenses and partially offset by a \$6.5 million increase in non-compensation expenses. Within total compensation expenses, our Compensation and employee benefits decreased \$37.7 million, or 12.2%, to \$270.4 million which was driven by the impact of lower commissionable revenues on variable compensation, while expenses for Equity-based compensation and allocations of net income to limited partnership units and FPU's increased by \$24.8 million, or 74.0%, to \$58.3 million due to an increase in charges related to grants of exchangeability and issuance of shares of BGC Class A common stock. Total other income (losses), net for the three months ended June 30, 2021 decreased \$3.7 million, to \$3.2 million compared to the three months ended March 31, 2021, primarily due to a gain recognized on a litigation resolution in the first quarter of 2021.

On August 3, 2021, our Board declared a \$0.01 dividend for the second quarter. Effective with the first quarter of 2020 dividend, the Board took the step of reducing the quarterly dividend out of an abundance of caution in order to strengthen the Company's balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions. Additionally, BGC Holdings reduced its distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after-tax basis depends upon stockholders' and partners' domiciles and tax status. BGC believes that these steps will allow the Company to prioritize its financial strength. Our 2021 capital allocation priorities are to return capital to stockholders and to continue investing in our high growth Fenics businesses. Previously, we were deeply dividend-centric; going forward, we plan to prioritize share and unit repurchases over dividends and distribution with an aim to nominally increase it toward the end of the year.

## RESULTS OF OPERATIONS

The following table sets forth our unaudited condensed consolidated statements of operations data expressed as a percentage of total revenues for the periods indicated (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
<b>Revenues:</b>								
Commissions	\$ 389,768	76.1 %	\$ 382,640	73.7 %	\$ 824,988	76.4 %	\$ 838,495	74.7 %
Principal transactions	81,997	16.0	99,453	19.2	180,760	16.7	212,764	19.0
Total brokerage revenues	471,765	92.1	482,093	92.9	1,005,748	93.1	1,051,259	93.7
Fees from related parties	4,245	0.8	6,562	1.3	8,030	0.7	12,083	1.1
Data, software and post-trade	21,602	4.2	20,139	3.9	43,588	4.0	39,537	3.5
Interest and dividend income	11,455	2.2	6,536	1.3	14,493	1.3	10,697	1.0
Other revenues	3,383	0.7	3,758	0.6	8,167	0.9	8,679	0.7
Total revenues	512,450	100.0	519,088	100.0	1,080,026	100.0	1,122,255	100.0
<b>Expenses:</b>								
Compensation and employee benefits	270,427	52.7	283,616	54.6	578,589	53.6	628,544	56.0
Equity-based compensation and allocations of net income to limited partnership units and FPU's <sup>1</sup>	58,290	11.4	27,819	5.4	91,785	8.5	70,023	6.2
Total compensation and employee benefits	328,717	64.1	311,435	60.0	670,374	62.1	698,567	62.2
Occupancy and equipment	46,900	9.2	47,247	9.1	95,033	8.8	98,321	8.8
Fees to related parties	4,452	0.9	5,194	1.0	9,743	0.9	10,629	1.0
Professional and consulting fees	17,820	3.5	19,805	3.8	33,960	3.1	39,761	3.5
Communications	30,774	6.0	30,524	5.9	60,578	5.6	61,045	5.4
Selling and promotion	8,616	1.7	6,634	1.3	16,104	1.5	25,333	2.3
Commissions and floor brokerage	14,308	2.8	13,520	2.6	32,237	3.0	32,797	2.9
Interest expense	18,680	3.6	17,625	3.4	36,533	3.4	35,131	3.1
Other expenses	23,688	4.6	21,480	4.1	39,777	3.7	39,011	3.6
Total expenses	493,955	96.4	473,464	91.2	994,339	92.1	1,040,595	92.8
<b>Other income (losses), net:</b>								
Gains (losses) on divestitures and sale of investments	(32)	0.0	—	—	(32)	0.0	—	—
Gains (losses) on equity method investments	1,323	0.3	1,119	0.2	2,789	0.3	2,142	0.2
Other income (loss)	1,864	0.3	1,129	0.2	7,270	0.7	(4,886)	(0.4)
Total other income (losses), net	3,155	0.6	2,248	0.4	10,027	1.0	(2,744)	(0.2)
Income (loss) from operations before income taxes	21,650	4.2	47,872	9.2	95,714	8.9	78,916	7.0
Provision (benefit) for income taxes	(1,191)	(0.3)	8,599	1.6	13,748	1.3	19,474	1.7
Consolidated net income (loss)	\$ 22,841	4.5 %	\$ 39,273	7.6 %	\$ 81,966	7.6 %	\$ 59,442	5.3 %
Less: Net income (loss) operations attributable to noncontrolling interest in subsidiaries	4,672	1.0	11,354	2.2	20,706	1.9	17,849	1.6
Net income (loss) available to common stockholders	\$ 18,169	3.5 %	\$ 27,919	5.4 %	\$ 61,260	5.7 %	\$ 41,593	3.7 %

1. The components of Equity-based compensation and allocations of net income to limited partnership units and FPU's are as follows (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues	Actual Results	Percentage of Total Revenues
Issuance of common stock and grants of exchangeability	\$ 31,222	6.1 %	\$ 2,362	0.5 %	\$ 39,076	3.6 %	\$ 25,396	2.3 %
Allocations of net income	6,846	1.3	2,660	0.5	12,477	1.2	3,939	0.3
LPU amortization	16,741	3.3	19,524	3.8	33,835	3.1	35,833	3.2
RSU amortization	3,481	0.7	3,273	0.6	6,397	0.6	4,855	0.4
Equity-based compensation and allocations of net income to limited partnership units and FPU's	\$ 58,290	11.4 %	\$ 27,819	5.4 %	\$ 91,785	8.5 %	\$ 70,023	6.2 %

### Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

#### Revenues

##### Brokerage Revenues

Total brokerage revenues decreased by \$10.3 million, or 2.1%, to \$471.8 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Commission revenues increased by \$7.1 million, or 1.9%, to \$389.8 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Principal transactions revenues decreased by \$17.5 million, or 17.6%, to \$82.0 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

The decrease in total brokerage revenues was primarily driven by decreases in revenues from Credit, FX, Equity derivatives and cash equities, partially offset by an increase in revenues from Insurance, Rates, and Energy and commodities. The decreases in BGC's brokerage revenues, excluding Insurance, Rates and Energy and commodities, were due to the elevated levels of volatility and trading volume related to the onset of the COVID-19 pandemic beginning in the first quarter of 2020.

Our Credit revenues decreased by \$23.2 million, or 24.2%, to \$72.6 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This was primarily driven by significantly lower industry-wide trading volumes.

Our FX revenues decreased by \$1.6 million, or 2.1%, to \$72.8 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

Our brokerage revenues from Equity derivatives and cash equities decreased by \$1.0 million, or 1.5%, to \$60.8 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

Our brokerage revenues from Insurance increased by \$8.5 million, or 18.6%, to \$54.3 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This increase was primarily due to organic growth, as previously hired brokers and salespeople ramped up production and benefited from favorable pricing trends for insurance renewals.

Our brokerage revenues from Rates increased by \$3.4 million, or 2.6%, to \$136.5 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. The second quarter of 2021 provided favorable Rates trading environment, particularly across BGC's U.S. government bond, inflation, and interest rate swap businesses.

Our brokerage revenues from Energy and commodities increased by \$3.4 million, or 4.8%, to \$74.7 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

##### Fees from Related Parties

Fees from related parties decreased by \$2.3 million, or 35.3%, to \$4.2 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This was primarily driven by a decrease in technology service revenues in connection with services provided to Cantor.

##### Data, Software and Post-Trade

Data, software and post-trade revenues increased by \$1.5 million, or 7.3%, to \$21.6 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This increase was primarily driven by Lucera expanding their client base.

*Interest and Dividend Income*

Interest and dividend income increased by \$4.9 million, or 75.3%, to \$11.5 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This was primarily due to an increase in dividend income and higher interest income earned on employee loans.

*Other Revenues*

Other revenues decreased by \$0.4 million, or 10.0%, to \$3.4 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

***Expenses***

*Compensation and Employee Benefits*

Compensation and employee benefits expense decreased by \$13.2 million, or 4.7%, to \$270.4 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. The main driver of this decrease was the impact of lower brokerage revenues on variable compensation.

*Equity-Based Compensation and Allocations of Net Income to Limited Partnership Units and FPU's*

Equity-based compensation and allocations of net income to limited partnership units and FPU's increased by \$30.5 million, or 109.5%, to \$58.3 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This was primarily driven by a increase in grants of exchangeability and issuance of Class A common stock.

*Occupancy and Equipment*

Occupancy and equipment expense decreased by \$0.3 million, or 0.7%, to \$46.9 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

*Fees to Related Parties*

Fees to related parties decreased by \$0.7 million, or 14.3%, to \$4.5 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Fees to related parties are allocations paid to Cantor for administrative and support services (such as accounting, occupancy, and legal).

*Professional and Consulting Fees*

Professional and consulting fees decreased by \$2.0 million, or 10.0%, to \$17.8 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This decrease was primarily driven by a decrease in consulting fees in the three months ended June 30, 2021.

*Communications*

Communications expense increased by \$0.3 million, or 0.8%, to \$30.8 million for the three months ended June 30, 2021 as compared to three months ended June 30, 2020.

*Selling and Promotion*

Selling and promotion expense increased by \$2.0 million, or 29.9%, to \$8.6 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This increase was primarily due to the impact of COVID-19 and the continued focus on tighter cost management during the three months ended June 30, 2020, which resulted in a significant reduction in travel and entertainment expenses.

*Commissions and Floor Brokerage*

Commissions and floor brokerage expense increased by \$0.8 million, or 5.8%, to \$14.3 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

*Interest Expense*

Interest expense increased by \$1.1 million, or 6.0%, to \$18.7 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This increase was primarily driven by interest expense related to the 4.375% Senior Notes issued in July 2020, partially offset by lower interest expense related to the 5.125% Senior Notes, which were repaid in May 2021, and lower interest expense related to borrowings on the Revolving Credit Agreement.

*Other Expenses*

Other expenses increased by \$2.2 million, or 10.3%, to \$23.7 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020, which was primarily due to an increase in settlements, and partially offset by a decrease in other provisions.

***Other Income (Losses), net***

*Gains (Losses) on Divestitures and Sale of Investments*

For the three months ended June 30, 2021, we had a loss of \$32 thousand on divestitures. For the three months ended June 30, 2020, we had no gains or losses from divestitures or the sale of investments.

*Gains (Losses) on Equity Method Investments*

Gains (losses) on equity method investments increased by \$0.2 million, or 18.2%, to a gain of \$1.3 million, for the three months ended June 30, 2021 as compared to a gain of \$1.1 million for the three months ended June 30, 2020. Gains (losses) on equity method investments represent our pro-rata share of the net gains or losses on investments over which we have significant influence, but which we do not control.

*Other Income (Loss)*

Other income (loss) increased by \$0.7 million, or 65.1%, to \$1.9 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This was primarily driven by an increase in other recoveries related to our Insurance brokerage business, and an increase related to mark-to-market movements on other assets, partially offset by a decrease related to COVID-19 recoveries in the three months ended June 30, 2020.

***Provision (Benefit) for Income Taxes***

Provision (benefit) for income taxes decreased by \$9.8 million, or 113.9%, to \$(1.2) million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. The decrease is primarily driven by the revaluation of deferred taxes due to enacted rate changes in the U.K. and the geographical and business mix of earnings, which can impact our consolidated effective tax rate from period-to-period.

***Net Income (Loss) Attributable to Noncontrolling Interest in Subsidiaries***

Net income (loss) attributable to noncontrolling interest in subsidiaries decreased by \$6.7 million, or 58.9%, to \$4.7 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

***Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020***

***Revenues***

*Brokerage Revenues*

Total brokerage revenues decreased by \$45.5 million, or 4.3%, to \$1,005.7 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Commission revenues decreased by \$13.5 million, or 1.6%, to \$825.0 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Principal transactions revenues decreased by \$32.0 million, or 15.0%, to \$180.8 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

The decrease in total brokerage revenues was primarily driven by decreases in Credit, FX, Equity derivatives and cash equities, Energy and commodities, and Rates, partially offset by an increase in revenues from Insurance.

Our Credit revenues decreased by \$30.3 million, or 15.7%, to \$162.7 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020. This decrease was mainly due to significantly lower industry-wide volumes.

Our FX revenues decreased by \$12.5 million, or 7.4%, to \$156.2 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020. This decrease was primarily driven by lower industry volumes due to quantitative easing undertaken by several major central banks and uniformly lower global interest rates.

Our brokerage revenues from Equity derivatives and cash equities decreased by \$12.3 million, or 8.6%, to \$131.3 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020.

Our brokerage revenues from energy and commodities decreased by \$4.5 million, or 2.9%, to \$150.6 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020. This decrease was primarily driven by lower industry volumes.

Our brokerage revenues from Rates decreased by \$2.0 million, or 0.7%, to \$298.3 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020.

Our brokerage revenues from Insurance increased by \$16.1 million, or 17.7%, to \$106.7 million for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020. This increase was primarily due to organic growth, as the Insurance brokerage business benefited as previously hired brokers and salespeople ramped up production and benefited from favorable pricing trends for insurance renewals.

#### *Fees from Related Parties*

Fees from related parties decreased by \$4.1 million, or 33.5%, to \$8.0 million for the six months ended June 30, 2021 as compared to the prior year. This was primarily driven by a decrease in technology service revenues in connection with services provided to Cantor.

#### *Data, Software and Post-Trade*

Data, software and post-trade revenues increased by \$4.1 million, or 10.2%, to \$43.6 million for the six months ended June 30, 2021 as compared to the same period in prior year. This increase was primarily driven by Lucera expanding their client base, and an increase in revenues from post-trade services.

#### *Interest and Dividend Income*

Interest and dividend income increased by \$3.8 million, or 35.5%, to \$14.5 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily driven by an increase in dividend income.

#### *Other Revenues*

Other revenues decreased by \$0.5 million, or 5.9% to \$8.2 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily driven by a decrease in consulting income for Poten & Partners.

#### *Expenses*

##### *Compensation and Employee Benefits*

Compensation and employee benefits expense decreased by \$50.0 million, or 7.9%, to \$578.6 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. The main drivers of this decrease was the impact of lower brokerage revenues on variable compensation, as well as costs associated with the cost reduction program which were significantly higher in the six months ended June 30, 2020 compared to the six months ended June 30, 2021.

##### *Equity-Based Compensation and Allocations of Net Income to Limited Partnership Units and FPU's*

Equity-based compensation and allocations of net income to limited partnership units and FPU's increased by \$21.8 million, or 31.1%, to \$91.8 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily driven by an increase in grants of exchangeability and issuance of Class A common stock.



*Occupancy and Equipment*

Occupancy and equipment expense decreased by \$3.3 million, or 3.3%, to \$95.0 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily driven by a decrease in fixed asset impairments.

*Fees to Related Parties*

Fees to related parties decreased by \$0.9 million, or 8.3%, to \$9.7 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Fees to related parties are allocations paid to Cantor for administrative and support services.

*Professional and Consulting Fees*

Professional and consulting fees decreased by \$5.8 million, or 14.6%, to \$34.0 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This decrease was primarily driven by a decrease in consulting fees.

*Communications*

Communications expense decreased by \$0.5 million, or 0.8%, to \$60.6 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. As a percentage of total revenues, communications expense remained relatively unchanged from the prior year period.

*Selling and Promotion*

Selling and promotion expense decreased by \$9.2 million, or 36.4%, to \$16.1 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This decrease was primarily a result of a reduction in travel and entertainment expenses due to a continued focus on tighter cost management as well as the impact of COVID-19.

*Commissions and Floor Brokerage*

Commissions and floor brokerage expense decreased by \$0.6 million, or 1.7%, to \$32.2 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Commissions and floor brokerage expense tends to move in line with brokerage revenues.

*Interest Expense*

Interest expense increased by \$1.4 million, or 4.0%, to \$36.5 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This increase was primarily driven by interest expense related to the 4.375% Senior Notes issued in July 2020, partially offset by lower interest expense related to the 5.125% Senior Notes, which were repaid in May 2021, and lower interest expense related to the borrowings on the Revolving Credit Agreement.

*Other Expenses*

Other expenses increased by \$0.8 million, or 2.0%, to \$39.8 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, which was primarily related to an increase in settlements, and partially offset by a decrease in other provisions.

***Other Income (Losses), net***

*Gains (Losses) on Divestitures and Sale of Investments*

For the six months ended June 30, 2021, we had a loss of \$32 thousand on divestitures. For the six months ended June 30, 2020, we had no gains or losses from divestitures or the sale of investments.

*Gains (Losses) on Equity Method Investments*

Gains (losses) on equity method investments increased by \$0.6 million, to a gain of \$2.8 million, for the six months ended June 30, 2021 as compared to a gain of \$2.1 million for the six months ended June 30, 2020. Gains (losses) on equity



method investments represent our pro rata share of the net gains or losses on investments over which we have significant influence but which we do not control.

*Other Income (Loss)*

Other income (loss) increased by \$12.2 million, to \$7.3 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily driven by an increase related to mark-to-market movements on other assets, a gain recognized on a litigation resolution during the six months ended June 30, 2021, an increase due to an impairment of an equity method investment recorded in the six months ended June 30, 2020, and an increase in other recoveries related to our Insurance brokerage business, partially offset by a decrease related to COVID-19 recoveries in the six months ended June 30, 2020

*Provision (Benefit) for Income Taxes*

Provision (benefit) for income taxes decreased by \$5.7 million, or 29.4%, to \$13.7 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This decrease is primarily driven by the revaluation of deferred taxes due to enacted rate changes in the U.K. and the geographical and business mix of earnings, which can impact our consolidated effective tax rate from period-to-period.

*Net Income (Loss) Attributable to Noncontrolling Interest in Subsidiaries*

Net income (loss) attributable to noncontrolling interest in subsidiaries increased by \$2.9 million, or 16.0%, to \$20.7 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, which was primarily driven by an increase in earnings.

**QUARTERLY RESULTS OF OPERATIONS**

The following table sets forth our unaudited quarterly results of operations for the indicated periods (in thousands). Results of any period are not necessarily indicative of results for a full year and may, in certain periods, be affected by seasonal fluctuations in our business. Certain reclassifications have been made to prior period amounts to conform to the current period's presentation.

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<b>Revenues:</b>								
Commissions	\$ 389,768	\$ 435,220	\$ 377,146	\$ 352,027	\$ 382,640	\$ 455,855	\$ 382,897	\$ 409,765
Principal transactions	81,997	98,763	73,687	65,182	99,453	113,311	71,725	75,536
Fees from related parties	4,245	3,785	4,857	8,814	6,562	5,521	8,218	8,208
Data, software and post-trade	21,602	21,986	20,860	21,523	20,139	19,398	18,151	18,364
Interest and dividend income	11,455	3,038	(783)	2,418	6,536	4,161	2,865	3,976
Other revenues	3,383	4,784	3,659	5,075	3,758	4,921	3,300	5,288
Total revenues	512,450	567,576	479,426	455,039	519,088	603,167	487,156	521,137
<b>Expenses:</b>								
Compensation and employee benefits	270,427	308,162	258,687	244,419	283,616	344,928	268,696	278,744
Equity-based compensation and allocations of net income to limited partnership units and FPU's	58,290	33,495	80,515	33,007	27,819	42,204	69,389	44,093
Total compensation and employee benefits	328,717	341,657	339,202	277,426	311,435	387,132	338,085	322,837
Occupancy and equipment	46,900	48,133	45,723	45,224	47,247	51,074	47,387	44,709
Fees to related parties	4,452	5,291	4,954	7,610	5,194	5,435	2,858	7,123
Professional and consulting fees	17,820	16,140	18,072	15,637	19,805	19,956	27,553	21,262
Communications	30,774	29,804	30,470	30,088	30,524	30,521	29,715	29,882
Selling and promotion	8,616	7,488	6,891	5,943	6,634	18,699	21,432	20,320
Commissions and floor brokerage	14,308	17,929	13,646	12,933	13,520	19,277	16,377	15,831
Interest expense	18,680	17,853	21,811	19,665	17,625	17,506	16,354	15,403
Other expenses	23,688	16,089	21,574	28,348	21,480	17,531	29,487	42,257
Total expenses	493,955	500,384	502,343	442,874	473,464	567,131	529,248	519,624
<b>Other income (losses), net:</b>								
Gain (loss) on divestiture and sale of investments	(32)	—	403	(9)	—	—	(14)	—
Gains (losses) on equity method investments	1,323	1,466	1,354	1,527	1,119	1,023	1,064	1,530
Other income (loss)	1,864	5,406	1,687	4,779	1,129	(6,015)	11,642	2,095
Total other income (losses), net	3,155	6,872	3,444	6,297	2,248	(4,992)	12,692	3,625
Income (loss) from operations before income taxes	21,650	74,064	(19,473)	18,462	47,872	31,044	(29,400)	5,138
Provision (benefit) for income taxes	(1,191)	14,939	(6,729)	8,558	8,599	10,875	4,075	6,691
Consolidated net income (loss)	\$ 22,841	\$ 59,125	\$ (12,744)	\$ 9,904	\$ 39,273	\$ 20,169	\$ (33,475)	\$ (1,553)
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	4,672	16,034	(10,406)	251	11,354	6,495	(12,914)	4,752
Net income (loss) available to common stockholders	\$ 18,169	\$ 43,091	\$ (2,338)	\$ 9,653	\$ 27,919	\$ 13,674	\$ (20,561)	\$ (6,305)

The table below details our brokerage revenues by product category for the indicated periods (in thousands):

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Brokerage revenue by product:								
Rates	\$ 136,474	\$ 161,793	\$ 124,495	\$ 119,325	\$ 133,034	\$ 167,240	\$ 129,549	\$ 156,765
Credit	72,609	90,047	68,882	68,053	95,780	97,189	70,438	72,382
FX	72,807	83,433	73,213	73,281	74,393	94,366	80,369	86,492
Energy and commodities	74,735	75,868	71,706	65,871	71,326	83,738	71,456	73,012
Equity derivatives and cash equities	60,825	70,462	63,718	47,410	61,777	81,797	59,533	56,958
Insurance	54,315	52,380	48,819	43,269	45,783	44,836	43,277	39,692
Total brokerage revenues	<u>\$ 471,765</u>	<u>\$ 533,983</u>	<u>\$ 450,833</u>	<u>\$ 417,209</u>	<u>\$ 482,093</u>	<u>\$ 569,166</u>	<u>\$ 454,622</u>	<u>\$ 485,301</u>
Brokerage revenue by product (percentage):								
Rates	28.9 %	30.3 %	27.6 %	28.6 %	27.6 %	29.4 %	28.5 %	32.3 %
Credit	15.4	16.9	15.3	16.3	19.9	17.1	15.5	14.9
FX	15.4	15.6	16.2	17.6	15.4	16.6	17.7	17.8
Energy and commodities	15.8	14.2	15.9	15.8	14.8	14.6	15.7	15.0
Equity derivatives and cash equities	12.9	13.2	14.2	11.3	12.8	14.4	13.1	11.8
Insurance	11.6	9.8	10.8	10.4	9.5	7.9	9.5	8.2
Total brokerage revenues	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Brokerage revenue by type:								
Voice/Hybrid	\$ 396,480	\$ 448,350	\$ 387,305	\$ 358,418	\$ 423,697	\$ 513,101	\$ 410,332	\$ 436,841
Fully Electronic	75,285	85,633	63,528	58,791	58,396	56,065	44,290	48,460
Total brokerage revenues	<u>\$ 471,765</u>	<u>\$ 533,983</u>	<u>\$ 450,833</u>	<u>\$ 417,209</u>	<u>\$ 482,093</u>	<u>\$ 569,166</u>	<u>\$ 454,622</u>	<u>\$ 485,301</u>
Brokerage revenue by type (percentage):								
Voice/Hybrid	84.0 %	84.0 %	85.9 %	85.9 %	87.9 %	90.1 %	90.3 %	90.0 %
Fully Electronic	16.0	16.0	14.1	14.1	12.1	9.9	9.7	10.0
Total brokerage revenues	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

## LIQUIDITY AND CAPITAL RESOURCES

### Balance Sheet

Our balance sheet and business model are not capital intensive. Our assets consist largely of cash and cash equivalents, collateralized and uncollateralized short-dated receivables and less liquid assets needed to support our business. Longer-term capital (equity and notes payable) is held to support the less liquid assets and potential capital investment opportunities. Total assets as of June 30, 2021 were \$5.1 billion, an increase of 30.0% as compared to December 31, 2020. The increase in total assets was driven primarily by an increase in Receivables from broker-dealers, clearing organizations, customers and related broker-dealers. We maintain a significant portion of our assets in Cash and cash equivalents and Securities owned, with our liquidity (which we define as Cash and cash equivalents, Reverse repurchase agreements, Marketable securities and Securities owned, less Securities loaned and Repurchase Agreements) as of June 30, 2021 of \$469.9 million. See “Liquidity Analysis” below for a further discussion of our liquidity. Our Securities owned were \$49.2 million as of June 30, 2021, compared to \$58.6 million at December 31, 2020. Our Marketable securities increased to \$0.4 million as of June 30, 2021, compared to \$0.3 million as of December 31, 2020. We did not have any Repurchase agreements, Securities loaned or Reverse repurchase agreements as of June 30, 2021 and December 31, 2020. As of June 30, 2021, there were \$1.0 billion Assets held for sale and \$850.1 million Liabilities held for sale. Refer to Note 4—“Assets and Liabilities Held for Sale” for detailed information on the held for sale activities of the Company reported in the unaudited condensed consolidated statements of financial condition as of June 30, 2021.

As part of our cash management process, we may enter into tri-party reverse repurchase agreements and other short-term investments, some of which may be with Cantor. As of June 30, 2021 and December 31, 2020, there were no reverse repurchase agreements outstanding.

Additionally, in August 2013, the Audit Committee authorized us to invest up to \$350 million in an asset-backed commercial paper program for which certain Cantor entities serve as placement agent and referral agent. The program issues short-term notes to money market investors and is expected to be used from time to time as a liquidity management vehicle. The notes are backed by assets of highly rated banks. We are entitled to invest in the program so long as the program meets investment policy guidelines, including policies relating to ratings. Cantor will earn a spread between the rate it receives from the short-term note issuer and the rate it pays to us on any investments in this program. This spread will be no greater than the spread earned by Cantor for placement of any other commercial paper note in the program. As of June 30, 2021 and December 31, 2020, we had no investments in the program.

### ***Funding***

Our funding base consists of longer-term capital (equity and notes payable), collateralized financings, shorter-term liabilities and accruals that are a natural outgrowth of specific assets and/or our business model, such as matched fails and accrued compensation. We have limited need for short-term unsecured funding in our regulated entities for their brokerage business. Contingent liquidity needs are largely limited to potential cash collateral that may be needed to meet clearing bank, clearinghouse, and exchange margins and/or to fund fails. Current cash and cash equivalent balances exceed our potential normal course contingent liquidity needs. We believe that cash and cash equivalents in and available to our largest regulated entities, inclusive of financing provided by clearing banks and cash segregated under regulatory requirements, is adequate for potential cash demands of normal operations, such as margin or fail financing. We expect our operating activities going forward to generate adequate cash flows to fund normal operations, including any dividends paid pursuant to our dividend policy. However, we continually evaluate opportunities for us to maximize our growth and further enhance our strategic position, including, among other things, acquisitions, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt and acquisition alternatives. As a result, we may need to raise additional funds to:

- increase the regulatory net capital necessary to support operations;
- support continued growth in our businesses;
- effect acquisitions, strategic alliances, joint ventures and other transactions;
- develop new or enhanced products, services and markets; and
- respond to competitive pressures.

Acquisitions and financial reporting obligations related thereto may impact our ability to access longer term capital markets funding on a timely basis and may necessitate greater short-term borrowings in the interim. This may impact our credit rating or the interest rates on our debt. We may need to access short-term capital sources to meet business needs from time to time, including, but not limited to, conducting operations; hiring or retaining brokers, salespeople, managers and other front-office personnel; financing acquisitions; and providing liquidity, including in situations where we may not be able to access the capital markets in a timely manner when desired by us. Accordingly, we cannot guarantee that we will be able to obtain additional financing when needed on terms that are acceptable to us, if at all. In addition, as a result of regulatory actions, our registration statements under the Securities Act will be subject to SEC review prior to effectiveness, which may lengthen the time required for us to raise capital, reducing our access to the capital markets or increasing our cost of capital.

As discussed above, our liquidity remains strong at \$469.9 million as of June 30, 2021, which reflects the maturity of the 5.125% Senior Notes paid in full and the draw down of \$190.0 million on the Revolving Credit Agreement, ordinary movements in working capital, repurchases of BGC Class A common stock and LPUs, cash paid with respect to employee bonuses, tax payments, and our continued investment in Fenics Growth Platforms.

With the outbreak of COVID-19, we reduced our dividend and focused on strengthening our balance sheet. Effective with the first quarter of 2020 dividend, the Board took the step of reducing the quarterly dividend out of an abundance of caution in order to strengthen the Company's balance sheet as the global capital markets face difficult and unprecedented macroeconomic conditions. On August 3, 2021, our Board declared a \$0.01 dividend for the second quarter of 2021. Additionally, BGC Holdings reduced its distributions to or on behalf of its partners. The distributions to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after-tax basis depends upon stockholders' and partners' domiciles and tax status. BGC believes that these steps will allow the Company to prioritize its financial strength. Our 2021 capital allocation priorities are to return capital to stockholders and to continue investing in our high growth Fenics businesses. Previously, we were deeply dividend-centric; going forward, we plan to prioritize share and unit repurchases over dividends and distributions. We plan to reassess our current dividend and distribution with an aim to nominally increase it toward the end of the year.

### ***Notes Payable, Other and Short-term Borrowings***

### *Unsecured Senior Revolving Credit Agreement*

On November 28, 2018, we entered into the Revolving Credit Agreement with Bank of America, N.A., as administrative agent, and a syndicate of lenders, which replaced the existing committed unsecured senior revolving credit agreement. The maturity date of the Revolving Credit Agreement was November 28, 2020 and the maximum revolving loan balance is \$350.0 million. Borrowings under this agreement bear interest at either LIBOR or a defined base rate plus additional margin. On December 11, 2019, we entered into an amendment to the new unsecured Revolving Credit Agreement. Pursuant to the amendment, the maturity date was extended to February 26, 2021. On February 26, 2020, the Company entered into a second amendment to the unsecured revolving credit agreement, pursuant to which, the maturity date was extended by two years to February 26, 2023. The size of the Revolving Credit Agreement, along with the interest rate on the borrowings therefrom, remained unchanged. As of June 30, 2021, there were \$188.7 million of borrowings outstanding, net of deferred financing costs of \$1.3 million, under the Revolving Credit Agreement. As of December 31, 2020, there were no borrowings outstanding under the new unsecured Revolving Credit Agreement. We may draw down on the Revolving Credit Agreement to provide flexibility in the normal course to meet ongoing operational cash needs, including as necessary to manage through the current extraordinary macroeconomic/business environment as a result of the COVID-19 pandemic. Our liquidity remains strong, and was \$469.9 million as of June 30, 2021, as discussed below.

### *5.125% Senior Notes*

On May 27, 2016, we issued an aggregate of \$300.0 million principal amount of 5.125% Senior Notes, which matured on May 27, 2021. The 5.125% Senior Notes were general senior unsecured obligations of the Company. The 5.125% Senior Notes bear interest at a rate of 5.125% per year, payable in cash on May 27 and November 27 of each year, commencing November 27, 2016 and ending on the maturity date. Prior to maturity, on August 5, 2020, the Company commenced a cash tender offer for any and all \$300.0 million outstanding aggregate principal amount of its 5.125% Senior Notes. On August 11, 2020, the Company's cash tender offer expired at 5:00 p.m., New York City time. As of the expiration time, \$44.0 million aggregate principal amount of the 5.125% Senior Notes were validly tendered. These notes were redeemed on the settlement date of August 14, 2020. The Company retained CF&Co as one of the dealer managers for the tender offer. As a result of this transaction, \$14 thousand in dealer management fees were paid to CF&Co. Cantor tendered \$15.0 million of such senior notes in the tender offer, and did not hold such notes as of June 30, 2021.

The initial carrying value of the 5.125% Senior Notes was \$295.8 million, net of the discount and debt issuance costs of \$4.2 million, of which \$0.5 million were underwriting fees payable to CF&Co and \$18 thousand were underwriting fees payable to CastleOak Securities, L.P.

On August 16, 2016, we filed a Registration Statement on Form S-4 which was declared effective by the SEC on September 13, 2016. On September 15, 2016, BGC launched an exchange offer in which holders of the 5.125% Senior Notes, issued in a private placement on May 27, 2016, could exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on October 12, 2016, at which point the initial 5.125% Senior Notes were exchanged for new registered notes with substantially identical terms. On May 27, 2021, we repaid \$256.0 million principal plus accrued interest of our 5.125% Senior Notes.

### *5.375% Senior Notes*

On July 24, 2018, we issued an aggregate of \$450.0 million principal amount of 5.375% Senior Notes. The 5.375% Senior Notes are general senior unsecured obligations of the Company. The 5.375% Senior Notes bear interest at a rate of 5.375% per year, payable in cash on January 24 and July 24 of each year, commencing January 24, 2019. The 5.375% Senior Notes will mature on July 24, 2023. We may redeem some or all of the 5.375% Senior Notes at any time or from time to time for cash at certain "make-whole" redemption prices (as set forth in the indenture related to the 5.375% Senior Notes). If a "Change of Control Triggering Event" (as defined in the indenture related to the 5.375% Senior Notes) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 5.375% Senior Notes was \$444.2 million, net of the discount and debt issuance costs of \$5.8 million, of which \$0.3 million were underwriting fees paid to CF&Co and \$41 thousand were underwriting fees paid to CastleOak Securities, L.P. We also paid CF&Co an advisory fee of \$0.2 million in connection with the issuance. The issuance costs are amortized as interest expense and the carrying value of the 5.375% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 5.375% Senior Notes as of June 30, 2021 was \$447.2 million.

On July 31, 2018, we filed a Registration Statement on Form S-4 which was declared effective by the SEC on August 10, 2018. On August 10, 2018, BGC launched an exchange offer in which holders of the 5.375% Senior Notes, issued in a private placement on July 24, 2018, could exchange such notes for new registered notes with substantially identical terms.

The exchange offer closed on September 17, 2018, at which point the initial 5.375% Senior Notes were exchanged for new registered notes with substantially identical terms.

### *3.750% Senior Notes*

On September 27, 2019, we issued an aggregate of \$300.0 million principal amount of 3.750% Senior Notes. The 3.750% Senior Notes are general unsecured obligations of the Company. The 3.750% Senior Notes bear interest at a rate of 3.750% per annum, payable in cash on each April 1 and October 1, commencing April 1, 2020. The 3.750% Senior Notes will mature on October 1, 2024. We may redeem some or all of the 3.750% Senior Notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the indenture related to the 3.750% Senior Notes). If a “Change of Control Triggering Event” (as defined in the indenture related to the 3.750% Senior Notes) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. The initial carrying value of the 3.750% Senior Notes was \$296.1 million, net of discount and debt issuance costs of \$3.9 million, of which \$0.2 million were underwriting fees payable to CF&Co and \$36 thousand were underwriting fees payable to CastleOak Securities, L.P. The issuance costs will be amortized as interest expense and the carrying value of the 3.750% Senior Notes will accrete up to the face amount over the term of the notes. The carrying value of the 3.750% Senior Notes was \$297.3 million as of June 30, 2021.

On October 11, 2019, we filed a Registration Statement on Form S-4, which was declared effective by the SEC on October 24, 2019. On October 28, 2019, BGC launched an exchange offer in which holders of the 3.750% Senior Notes, issued in a private placement on September 27, 2019, may exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on December 9, 2019, at which point the initial 3.750% Senior Notes were exchanged for new registered notes with substantially identical terms.

### *4.375% Senior Notes*

On July 10, 2020, we issued an aggregate of \$300.0 million principal amount of 4.375% Senior Notes. The 4.375% Senior Notes are general unsecured obligations of the Company. The 4.375% Senior Notes bear interest at a rate of 4.375% per year, payable in cash on June 15 and December 15, commencing December 15, 2020. The 4.375% Senior Notes will mature on December 15, 2025. We may redeem some or all of the notes at any time or from time to time for cash at certain “make-whole” redemption prices (as set forth in the indenture related to the 4.375% Senior Notes). If a “Change of Control Triggering Event” (as defined in the indenture related to the 4.375% Senior Notes) occurs, holders may require the Company to purchase all or a portion of their notes for cash at a price equal to 101% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date. Cantor purchased \$14.5 million of such senior notes and still holds such notes as of June 30, 2021. The initial carrying value of the 4.375% Senior Notes was \$296.8 million, net of discount and debt issuance costs of \$3.2 million, of which \$0.2 million were underwriting fees payable to CF&Co and \$36 thousand were underwriting fees payable to CastleOak Securities, L.P. The carrying value of the 4.375% Senior Notes was \$297.3 million as of June 30, 2021.

On August 28, 2020, we filed a Registration Statement on Form S-4, which was declared effective by the SEC on September 8, 2020. On September 9, 2020, BGC launched an exchange offer in which holders of the 4.375% Senior Notes, issued in a private placement on July 10, 2020, may exchange such notes for new registered notes with substantially identical terms. The exchange offer closed on October 14, 2020, at which point the initial 4.375% Senior Notes were exchanged for new registered notes with substantially identical terms.

### *Collateralized Borrowings*

On May 31, 2017, we entered into a secured loan arrangement of \$29.9 million under which we pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.44% per year and matured on May 31, 2021, therefore, there were no borrowings outstanding as of June 30, 2021. As of December 31, 2020, we had \$4.0 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of December 31, 2020 was \$0.8 million.

On April 8, 2019, we entered into a secured loan arrangement of \$15.0 million, under which we pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.77% and matures on April 8, 2023. As of June 30, 2021, we had \$7.8 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of June 30, 2021 was \$0.4 million. As of December 31, 2020, we had \$9.6 million outstanding related to this secured loan arrangement. The net book value of the fixed assets pledged as of December 31, 2020, was \$1.2 million. Also, on April 19, 2019, we entered into a secured loan arrangement of \$10.0 million, under which we pledged certain fixed assets as security for a loan. This arrangement incurs interest at a fixed rate of 3.89% and matures on April 19, 2023. As of June 30, 2021, we had

\$5.0 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of June 30, 2021 was \$1.7 million. As of December 31, 2020, we had \$6.3 million outstanding related to this secured loan arrangement. The book value of the fixed assets pledged as of December 31, 2020, was \$2.7 million.

#### *Weighted-average Interest Rate*

For the three months ended June 30, 2021 and 2020, the weighted-average interest rate of our total Notes payable and other borrowings, which include our Unsecured Senior Revolving Credit Agreement, Senior Notes, and Collateralized Borrowings, was 4.23% and 4.42%, respectively. For the six months ended June 30, 2021 and 2020, the weighted-average interest rate of our total Notes payable and other borrowings, was 4.23% and 4.42%, respectively.

#### *Short-term Borrowings*

On August 22, 2017, we entered into a committed unsecured loan agreement with Itau Unibanco S.A. The credit agreement provides for short-term loans of up to \$4.0 million (BRL 20.0 million). The maturity date of the agreement is August 19, 2021. Borrowings under this agreement bear interest at the Brazilian Interbank offering rate plus 4.75%. As of June 30, 2021, there were \$4.0 million (BRL 20.0 million) of borrowings outstanding under the facility. As of December 31, 2020, there were \$3.8 million (BRL 20.0 million), of borrowings outstanding under the facility. As of June 30, 2021, the interest rate was 9.00%.

On August 23, 2017, we entered into a committed unsecured credit agreement with Itau Unibanco S.A. The credit agreement provides for an intra-day overdraft credit line up to \$10.0 million (BRL 50.0 million). The maturity date of the agreement is September 9, 2021. This agreement bears a fee of 1.48% per year. As of June 30, 2021 and December 31, 2020, there were no borrowings outstanding under this agreement.

On June 1, 2021, the Company entered into a committed unsecured loan agreement with Banco Daycoval S.A. The agreement provides for short-term loans of up to \$2.0 million (BRL \$10.0 million). The maturity date of the agreement is January 18, 2022. Borrowings under this agreement bear interest at the Brazilian Interbank offering rate plus 3.66%. As of June 30, 2021, there were \$2.0 million (BRL \$10.0 million) of borrowings outstanding under the agreement. As of June 30, 2021, the interest rate was 7.90%.

#### *BGC Credit Agreement with Cantor*

On March 19, 2018, we entered into the BGC Credit Agreement with Cantor. The BGC Credit Agreement provides for each party and certain of its subsidiaries to issue loans to the other party or any of its subsidiaries in the lender's discretion in an aggregate principal amount up to \$250.0 million outstanding at any time. The BGC Credit Agreement replaced the previous credit facility between BGC and an affiliate of Cantor, and was approved by the Audit Committee of BGC. On August 6, 2018, the Company entered into an amendment to the BGC Credit Agreement, which increased the aggregate principal amount that can be loaned to the other party or any of its subsidiaries from \$250.0 million to \$400.0 million that can be outstanding at any time. The BGC Credit Agreement will mature on the earlier to occur of (a) March 19, 2022, after which the maturity date of the BGC Credit Agreement will continue to be extended for successive one-year periods unless prior written notice of non-extension is given by a lending party to a borrowing party at least six months in advance of such renewal date and (b) the termination of the BGC Credit Agreement by either party pursuant to its terms. The outstanding amounts under the BGC Credit Agreement will bear interest for any rate period at a per annum rate equal to the higher of BGC's or Cantor's short-term borrowing rate in effect at such time plus 1.00%. As of June 30, 2021, there were no borrowings by BGC or Cantor outstanding under this Agreement.

## **CREDIT RATINGS**

As of June 30, 2021, our public long-term credit ratings and associated outlooks are as follows:

	<b>Rating</b>	<b>Outlook</b>
Fitch Ratings Inc.	BBB-	Stable
Standard & Poor's	BBB-	Stable
Japan Credit Rating Agency, Ltd.	BBB+	Stable
Kroll Bond Rating Agency	BBB	Stable

Credit ratings and associated outlooks are influenced by a number of factors, including but not limited to: operating environment, earnings and profitability trends, the prudence of funding and liquidity management practices, balance sheet size/



composition and resulting leverage, cash flow coverage of interest, composition and size of the capital base, available liquidity, outstanding borrowing levels and the firm's competitive position in the industry. A credit rating and/or the associated outlook can be revised upward or downward at any time by a rating agency if such rating agency decides that circumstances warrant such a change. Any reduction in our credit ratings and/or the associated outlooks could adversely affect the availability of debt financing on terms acceptable to us, as well as the cost and other terms upon which we are able to obtain any such financing. In addition, credit ratings and associated outlooks may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions. In connection with certain agreements, we may be required to provide additional collateral in the event of a credit ratings downgrade.

## LIQUIDITY ANALYSIS

We consider our liquidity to be comprised of the sum of Cash and cash equivalents, Reverse repurchase agreements, Marketable securities, and Securities owned, less Securities loaned and Repurchase agreements. The discussion below describes the key components of our liquidity analysis, including earnings, dividends and distributions, net investing and funding activities, including repurchases and redemptions of BGC Class A common stock and partnership units, security settlements, changes in securities held and marketable securities, and changes in our working capital.

We consider the following in analyzing changes in our liquidity.

Our liquidity analysis includes a comparison of our Consolidated net income (loss) adjusted for certain non-cash items (e.g., Equity-based compensation) as presented on the cash flow statement. Dividends and distributions are payments made to our holders of common shares and limited partnership interests and are related to earnings from prior periods. These timing differences will impact our cash flows in a given period.

Our investing and funding activities represent a combination of our capital raising activities, including short-term borrowings and repayments, issuances of shares under our CEO Program (net), BGC Class A common stock repurchases and partnership unit redemptions, purchases and sales of securities, dispositions, and other investments (e.g., acquisitions, forgivable loans to new brokers and capital expenditures—all net of depreciation and amortization).

Our securities settlement activities primarily represent deposits with clearing organizations. In addition, when advantageous, we may elect to facilitate the settlement of matched principal transactions by funding failed trades, which results in a temporary secured use of cash and is economically beneficial to us.

Other changes in working capital represent changes primarily in receivables and payables and accrued liabilities that impact our liquidity.

Changes in Reverse repurchase agreements, Securities owned, and Marketable securities may result from additional cash investments or sales, which will be offset by a corresponding change in Cash and cash equivalents and, accordingly, will not result in a change in our liquidity. Conversely, changes in the market value of such securities are reflected in our earnings or other comprehensive income (loss) and will result in changes in our liquidity.

At December 31, 2019, the Company completed the calculation of the one-time transition tax on the deemed repatriation of foreign subsidiaries' earnings pursuant to the Tax Act and previously recorded a net cumulative tax expense of \$25.0 million, net of foreign tax credits. An installment election can be made to pay the taxes over eight years with 40% paid in equal installments over the first five years and the remaining 60% to be paid in installments of 15%, 20% and 25% in years six, seven and eight, respectively. The cumulative remaining balance as of June 30, 2021 is \$15.8 million.

As of June 30, 2021, the Company had \$420.3 million of Cash and cash equivalents, and included in this amount was \$310.4 million of Cash and cash equivalents held by foreign subsidiaries.

### *Discussion of the six months ended June 30, 2021*

The table below presents our Liquidity Analysis:

	June 30, 2021	December 31, 2020
<i>(in thousands)</i>		
Cash and cash equivalents	\$ 420,302	\$ 593,646
Securities owned	49,222	58,572
Marketable securities	360	349
Total	<u>\$ 469,884</u>	<u>\$ 652,567</u>



The \$182.7 million decrease in our liquidity position from \$652.6 million as of December 31, 2020 to \$469.9 million as of June 30, 2021, was primarily related to the \$256.0 million repayment in full of the 5.125% Senior Notes, partially offset by drawing \$190.0 million from our \$350.0 million revolving credit facility. Our liquidity position also decreased due to Cash held for sale totaling \$28.6 million, relating to our Insurance brokerage business. Further, Securities owned decreased \$9.3 million resulting from sales of U.S. Treasury bills. The movement in our liquidity position is further reduced by ordinary movements in working capital, repurchases of Class A common stock, cash paid with respect to annual employee bonuses, tax payments, and our continued investment in Fenics Growth Platforms.

### **Discussion of the six months ended June 30, 2020**

The table below presents our Liquidity Analysis:

	June 30, 2020	December 31, 2019
<i>(in thousands)</i>		
Cash and cash equivalents	\$ 463,554	\$ 415,379
Securities owned	58,685	57,525
Marketable securities <sup>1</sup>	278	326
Total	<u>\$ 522,517</u>	<u>\$ 473,230</u>

<sup>1</sup> As of December 31, 2019 \$13.9 million of Marketable securities on our balance sheet had been lent in a Securities loan transaction and, therefore, are not included in this Liquidity Analysis.

The \$49.3 million increase in our liquidity position from \$473.2 million as of December 31, 2019 to \$522.5 million as of June 30, 2020, was primarily related to the \$155.0 million net draw down on the Revolving Credit Agreement, partially offset by ordinary movements in working capital (including settlement of payables to related parties), cash paid with respect to annual employee bonuses and associated tax and compensation expenses, cost reduction charges, year-end taxes, acquisitions and our continued investment in new revenue generating hires.

### **CLEARING CAPITAL**

In November 2008, we entered into a clearing capital agreement with Cantor to clear U.S. Treasury and U.S. government agency securities transactions on our behalf. In June 2020, this clearing capital agreement was amended to cover Cantor providing clearing services in all eligible financial products to us and not just U.S. Treasury and U.S. government agency securities. Pursuant to the terms of this agreement, so long as Cantor is providing clearing services to us, Cantor shall be entitled to request from us cash or other property acceptable to Cantor in the amount reasonably requested by Cantor under the clearing capital agreement or Cantor will post cash or other property on our behalf for a commercially reasonable charge. Cantor had not requested any cash or other property from us as collateral as of June 30, 2021.

### **REGULATORY REQUIREMENTS**

Our liquidity and available cash resources are restricted by regulatory requirements of our operating subsidiaries. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct administrative proceedings that can result in civil and criminal judgments, settlements, fines, penalties, injunctions, enhanced oversight, remediation, or other relief.

In addition, self-regulatory organizations, such as the FINRA and the NFA, along with statutory bodies such as the FCA, the SEC, and the CFTC require strict compliance with their rules and regulations. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with broker-dealers and are not designed to specifically protect stockholders. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

The final phase of Basel III (unofficially called “Basel IV”) is a global prudential regulatory standard designed to make banks more resilient and increase confidence in the banking system. Its wide scope includes reviewing market, credit and operational risk along with targeted changes to leverage ratios. Basel IV includes updates to the calculation of bank capital requirements with the aim of making outcomes more comparable across banks globally. Most of the requirements are expected to be implemented by national and regional authorities by around 2023, with certain delays announced by regulators recently due to COVID-19. The adoption of these proposed rules could restrict the ability of our large bank and broker-dealer customers to operate trading businesses and to maintain current capital market exposures under the present structure of their balance sheets, and will cause these entities to need to raise additional capital in order to stay active in our marketplaces.

The FCA is the relevant statutory regulator in the U.K. The FCA's objectives are to protect customers, maintain the stability of the financial services industry and promote competition between financial services providers. It has broad rule-making, investigative and enforcement powers derived from the Financial Services and Markets Act 2000 and subsequent and derivative legislation and regulations.

In addition, the majority of our other foreign subsidiaries are subject to similar regulation by the relevant authorities in the countries in which they do business. Certain other of our foreign subsidiaries are required to maintain non-U.S. net capital requirements. For example, in Hong Kong, BGC Securities (Hong Kong), LLC, GFI (HK) Securities LLC and Sunrise Broker (Hong Kong) Limited are regulated by the Securities and Futures Commission. BGC Capital Markets (Hong Kong), Limited and GFI (HK) Brokers Ltd are regulated by The Hong Kong Monetary Authority. All are subject to Hong Kong net capital requirements. In France, Aurel BGC and BGC France Holdings; in Australia, BGC Partners (Australia) Pty Limited, BGC (Securities) Pty Limited and GFI Australia Pty Ltd.; in Japan, BGC Shoken Kaisha Limited's Tokyo branch and BGC Capital Markets Japan LLC's Tokyo Branch; in Singapore, BGC Partners (Singapore) Limited, GFI Group Pte Ltd and Ginga Global Markets Pte Ltd; in Korea, BGC Capital Markets & Foreign Exchange Broker (Korea) Limited and GFI Korea Money Brokerage Limited; in Philippines GFI Group (Philippines) Inc. and in Turkey, BGC Partners Menkul Degerler AS, all have net capital requirements imposed upon them by local regulators. In addition, BGC is a member of clearing houses such as The London Metal Exchange, which may impose minimum capital requirements. In Latin America, BGC Liquidez Distribuidora De Titulos E Valores Mobiliarios Ltda. (Brazil) has net capital requirements imposed upon it by local regulators.

These subsidiaries may also be prohibited from repaying the borrowings of their parents or affiliates, paying cash dividends, making loans to their parent or affiliates or otherwise entering into transactions, in each case, that result in a significant reduction in their regulatory capital position without prior notification or approval from their principal regulator. See Note 22—"Regulatory Requirements" to our unaudited condensed consolidated financial statements for further details on our regulatory requirements.

As of June 30, 2021, \$687.9 million of net assets were held by regulated subsidiaries excluding \$51.9 million of net assets classified as held for sale. As of June 30, 2021, these subsidiaries had aggregate regulatory net capital, as defined, in excess of the aggregate regulatory requirements, as defined, of \$375.4 million excluding \$43.2 million classified as held for sale.

In April 2013, the Board and Audit Committee authorized management to enter into indemnification agreements with Cantor and its affiliates with respect to the provision of any guarantees provided by Cantor and its affiliates from time to time as required by regulators. These services may be provided from time to time at a reasonable and customary fee.

BGC Derivative Markets and GFI Swaps Exchange, our subsidiaries, operate as SEFs. Mandatory Dodd-Frank Act compliant execution on SEFs by eligible U.S. persons commenced in February 2014 for "made available to trade" products, and a wide range of other rules relating to the execution and clearing of derivative products have been finalized with implementation periods in 2016 and beyond. We also own ELX, which became a dormant contract market on July 1, 2017. As these rules require authorized execution facilities to maintain robust front-end and back-office IT capabilities and to make large and ongoing technology investments, and because these execution facilities may be supported by a variety of voice and auction-based execution methodologies, we expect our Hybrid and Fully Electronic trading capability to perform strongly in such an environment.

Much of our global derivatives volumes continue to be executed by non-U.S. based clients outside the U.S. and subject to local prudential regulations. As such, we will continue to operate a number of European regulated venues in accordance with EU or U.K. legislation and licensed by the FCA or EU-based national supervisors. These venues are also operated for non-derivative instruments for these clients. MiFID II was published by the European Securities and Markets Authority in September 2015, and implemented in January 2018 and introduced important infrastructural changes.

MiFID II requires a significant part of the market in these instruments to trade on trading venues subject to transparency regimes, not only in pre- and post-trade prices, but also in fee structures and access. In addition, it has impacted a number of key areas, including corporate governance, transaction reporting, pre- and post-trade transparency, technology synchronization, best execution and investor protection.

MiFID II is intended to help improve the functioning of the EU single market by achieving a greater consistency of regulatory standards. By design, therefore, it is intended that EU member states should have very similar regulatory regimes in relation to the matters addressed to MiFID. MiFID II has also introduced a new regulated execution venue category known as an OTF that captures much of the Voice-and Hybrid-oriented trading in EU. Much of our existing EU derivatives and fixed income execution business now take place on OTFs. Further to its decision to leave the EU, the U.K. has implemented MiFID II's requirements into its own domestic legislation. Brexit may impact future market structures and MiFID II rulemaking and implementation. Both the U.K. and EU are in the process of reviewing their financial services rulebooks, which may lead to regulatory changes.

In addition, the GDPR came into effect in the EU on May 25, 2018 and creates new compliance obligations in relation to personal data. The GDPR may affect our practices, and will increase financial penalties for non-compliance significantly.

On September 30, 2020, the SEC announced a settlement with BGC regarding alleged negligent disclosure violations related to one of BGC's non-GAAP financial measures for periods beginning with the first quarter of 2015 through the first quarter of 2016. All of the relevant disclosures related to those periods and pre-dated the SEC staff's May 2016 detailed compliance and disclosure guidance with respect to non-GAAP presentations. BGC revised its non-GAAP presentation beginning with the second quarter of 2016 as a result of the SEC's guidance, and the SEC has made no allegations with regard to any periods following the first quarter of 2016. In connection with the SEC settlement, BGC was ordered to cease and desist from any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Section 13(a) of the Exchange Act and Rule 13a-11 thereunder, and Rule 100(b) of Regulation G, and agreed to pay a civil penalty of \$1.4 million without admitting or denying the SEC's allegations.

See "Regulation" in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information related to our regulatory environment.

## EQUITY

### *Class A Common Stock*

Changes in shares of BGC Class A common stock outstanding were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Shares outstanding at beginning of period	334,364	311,059	323,018	307,915
Share issuances:				
Redemptions/exchanges of limited partnership interests <sup>1</sup>	30,156	1,969	40,587	4,074
Vesting of RSUs	360	103	1,728	800
Acquisitions	537	15	787	285
Other issuances of BGC Class A common stock	5	177	266	249
Restricted stock forfeitures	(84)	—	(84)	—
Treasury stock repurchases	(16,543)	—	(17,507)	—
Shares outstanding at end of period	348,795	313,323	348,795	313,323

<sup>1</sup> Included in redemptions/exchanges of limited partnership interests for the three months ended June 30, 2021 and 2020 are 13.8 million shares of BGC Class A common stock granted in connection with the cancellation of 14.6 million LPUs, and 0.7 million shares of BGC Class A common stock granted in connection with the cancellation of 0.6 million LPUs, respectively. Included in redemptions/exchanges of limited partnership interests for the six months ended June 30, 2021 and 2020 are 15.4 million shares of BGC Class A common stock granted in connection with the cancellation of 16.3 million LPUs, and 2.1 million shares of BGC Class A common stock granted in connection with the cancellation of 2.1 million LPUs, respectively. Because LPUs are included in the Company's fully diluted share count, if dilutive, redemptions/exchanges in connection with the issuance of BGC Class A common stock would not impact the fully diluted number of shares outstanding.

### *Class B Common Stock*

The Company did not issue any shares of BGC Class B common stock during the three and six months ended June 30, 2021 and 2020. As of June 30, 2021 and December 31, 2020, there were 45.9 million shares of BGC Class B common stock outstanding.

### *Unit Redemptions and Share Repurchase Program*

The Board and Audit Committee have authorized repurchases of BGC Class A common stock and redemptions of limited partnership interests or other equity interests in our subsidiaries. On August 1, 2018, the Board and Audit Committee increased the Company's share repurchase and unit redemption authorization to \$300.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. On August 3, 2021, the Board and Audit Committee increased the BGC Partners share repurchase and unit redemption authorization to \$400.0 million, which may include purchases from Cantor, its partners or employees or other affiliated persons or entities. As of June 30, 2021, the

Company had \$114.6 million remaining from its share repurchase and unit redemption authorization. From time to time, the Company may actively continue to repurchase shares and/or redeem units.

The table below represents the units redeemed and/or shares repurchased for cash and does not include units redeemed/cancelled in connection with the grant of shares of BGC Class A common stock nor the limited partnership interests exchanged for shares of BGC Class A common stock. The unit redemptions and share repurchases of BGC Class A common stock during the three and six months ended June 30, 2021 were as follows (in thousands, except for weighted-average price data):

Period	Total Number of Units Redeemed or Shares Repurchased	Weighted-Average Price Paid per Unit or Share	Approximate Dollar Value of Units and Shares That May Yet Be Redeemed/ Purchased Under the Program
<b>Redemptions<sup>1,2</sup></b>			
January 1, 2021—March 31, 2021	20	\$ 4.40	
April 1, 2021—June 30, 2021	4,715	5.82	
<b>Total Redemptions</b>	4,735	\$ 5.82	
<b>Repurchases<sup>3,4</sup></b>			
January 1, 2021—March 31, 2021	965	\$ 4.56	
April 1, 2021—April 30, 2021	2	5.29	
May 1, 2021—May 31, 2021	1,018	5.59	
June 1, 2021—June 30, 2021	15,522	6.29	
<b>Total Repurchases</b>	17,507	\$ 6.16	
<b>Total Redemptions and Repurchases</b>	22,242	\$ 6.08	\$ 114,584

1 During the three months ended June 30, 2021, the Company redeemed 4.7 million LPUs at an aggregate redemption price of \$27.3 million for a weighted-average price of \$5.84 per unit. During the three months ended June 30, 2021, the Company redeemed 44 thousand FPU's at an aggregate redemption price of \$181 thousand for a weighted-average price of \$4.06 per unit. During the three months ended June 30, 2020, the Company redeemed 0.1 million LPUs at an aggregate redemption price of \$0.3 million for a weighted-average price of \$3.05 per unit. During the three months ended June 30, 2020, the Company redeemed 1 thousand FPU's at an aggregate redemption price of \$4 thousand for an average price of \$3.07 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 13.8 million and 0.7 million shares of BGC Class A common stock during the three months ended June 30, 2021 and 2020, respectively, nor the limited partnership interests exchanged for 16.8 million and 1.3 million shares of BGC Class A common stock during the three months ended June 30, 2021 and 2020, respectively.

2 During the six months ended June 30, 2021, the Company redeemed 4.7 million LPUs at an aggregate redemption price of \$27.3 million for an average price of \$5.83 per unit. During the six months ended June 30, 2021, the Company redeemed 51 thousand FPU's at an aggregate redemption price of \$209 thousand for an average price of \$4.11 per unit. During the six months ended June 30, 2020, the Company redeemed 0.3 million LPUs at an aggregate redemption price of \$1.3 million for an average price of \$3.92 per unit. During the six months ended June 30, 2020, the Company redeemed 1 thousand FPU's at an aggregate redemption price of \$4 thousand for an average price of \$3.07 per unit. The table above does not include units redeemed/cancelled in connection with the grant of 15.4 million and 2.1 million shares of BGC Class A common stock during the six months ended June 30, 2021 and 2020, respectively, nor the limited partnership interests exchanged for 25.9 million and 1.8 million shares of BGC Class A common stock during the six months ended June 30, 2021 and 2020, respectively.

3 During the three months ended June 30, 2021, the Company repurchased 16.5 million shares of BGC Class A common stock at an aggregate price of \$103.4 million for a weighted-average price of \$6.25 per share. The Company did not repurchase any shares of BGC Class A common stock during the three months ended June 30, 2020.

4 During the six months ended June 30, 2021, the Company repurchased 17.5 million shares of BGC Class A common stock at an aggregate price of \$107.8 million for a weighted-average price of \$6.16 per share. The Company did not repurchase any shares of BGC Class A common stock during the six months ended June 30, 2020.

The weighted-average share count for our earnings per share calculation was as follows (in thousands):

	Three Months Ended June 30, 2021
Common stock outstanding <sup>1</sup>	384,902
Partnership units <sup>2</sup>	173,606
RSUs (Treasury stock method)	4,141
Other	1,274
Total <sup>3</sup>	563,923

- 1 Common stock consisted of shares of BGC Class A common stock, shares of BGC Class B common stock and contingent shares of our Class A common stock for which all necessary conditions have been satisfied except for the passage of time. For the quarter ended June 30, 2021, the weighted-average number of shares of BGC Class A common stock was 339.0 million and shares of BGC Class B common stock was 45.9 million.
- 2 Partnership units collectively include FPU, LPU, including contingent units of BGC Holdings for which all necessary conditions have been satisfied except for the passage of time, and Cantor units (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings," to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information).
- 3 For the three months ended June 30, 2021, 31 thousand potentially dilutive securities were not included in the computation of fully diluted EPS because their effect would have been anti-dilutive. Also as of June 30, 2021, 31.4 million shares of contingent BGC Class A common stock, N units, RSUs, and LPUs were excluded from fully diluted EPS computations because the conditions for issuance had not been met by the end of the period. The contingent BGC Class A common stock is recorded as a liability and included in "Accounts payable, accrued and other liabilities" in our unaudited condensed consolidated statement of financial condition as of June 30, 2021.

The fully diluted period-end spot share count was as follows (in thousands):

	As of June 30, 2021
Common stock outstanding	394,679
Partnership units	137,303
RSUs (Treasury stock method)	4,263
Other	3,037
Total	539,282

On June 5, 2015, we entered into the Exchange Agreement with Cantor providing Cantor, CFGM and other Cantor affiliates entitled to hold BGC Class B common stock the right to exchange from time to time, on a one-to-one basis, subject to adjustment, up to an aggregate of 34.6 million shares of BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34.6 million shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of Cantor units owned in BGC Holdings, are already included in our fully diluted share count and will not increase Cantor's current maximum potential voting power in the common equity. The Exchange Agreement enabled the Cantor entities to acquire the same number of shares of BGC Class B common stock that they were already entitled to acquire without having to exchange its Cantor units in BGC Holdings. The Audit Committee and Board have determined that it was in the best interests of us and our stockholders to approve the Exchange Agreement because it will help ensure that Cantor retains its Cantor units in BGC Holdings, which is the same partnership in which our partner employees participate, thus continuing to align the interests of Cantor with those of the partner employees. On November 23, 2018, in the Class B Issuance, BGC issued 10.3 million shares of BGC Class B common stock to Cantor and 0.7 million shares of BGC Class B common stock to CFGM, an affiliate of Cantor, in each case in exchange for shares of BGC Class A common stock from Cantor and CFGM, respectively, on a one-to-one basis pursuant to the Exchange Agreement. Pursuant to the Exchange Agreement, no additional consideration was paid to BGC by Cantor or CFGM for the Class B Issuance. Following this exchange, Cantor and its affiliates only have the right to exchange under the Exchange Agreement up to an aggregate of 23.6 million shares of BGC Class A common stock, now owned or subsequently acquired, or its Cantor units in BGC Holdings, into shares of BGC Class B common stock. As of June 30, 2021, Cantor and CFGM do not own any shares of BGC Class A common stock.

We and Cantor have agreed that any shares of BGC Class B common stock issued in connection with the Exchange Agreement would be deducted from the aggregate number of shares of BGC Class B common stock that may be issued to the Cantor entities upon exchange of Cantor units in BGC Holdings. Accordingly, the Cantor entities will not be entitled to receive

any more shares of BGC Class B Stock under this agreement than they were previously eligible to receive upon exchange of Cantor units.

On November 4, 2015, partners of BGC Holdings created five new classes of non-distributing partnership units (collectively with the NPSUs, “N Units”). These new N Units carry the same name as the underlying unit with the insertion of an additional “N” to designate them as the N Unit type and are designated as NREUs, NPREUs, NLPUs, NPLPUs and NPPSUs. The N Units are not entitled to participate in partnership distributions, will not be allocated any items of profit or loss and may not be made exchangeable into shares of BGC Class A common stock. The Eleventh Amendment was approved by the Audit Committee and by the Board.

Subject to the approval of the Compensation Committee or its designee, certain N Units may be converted into the underlying unit type (i.e. an NREU will be converted into an REU) and will then participate in partnership distributions, subject to terms and conditions determined by the general partner of BGC Holdings in its sole discretion, including that the recipient continue to provide substantial services to the Company and comply with his or her partnership obligations. Such N Units are not included in the fully diluted share count.

On December 14, 2016, partners of BGC Holdings amended certain terms and conditions of the partnership’s N Units in order to provide flexibility to the Company and the Partnership in using such N Units in connection with compensation arrangements and practices. The amendment provides for a minimum \$5 million gross revenue requirement in a given quarter as a condition for an N Unit to be replaced by another type of partnership unit in accordance with the Partnership Agreement and the grant documentation. The amendment was approved by the Audit Committee.

On December 13, 2017, the Amended and Restated BGC Holdings Partnership Agreement was amended and restated a second time to include prior standalone amendments and to make certain other changes related to the Separation. The Second Amended and Restated BGC Holdings Partnership Agreement, among other things, reflects changes resulting from the division in the Separation of BGC Holdings into BGC Holdings and Newmark Holdings, including:

- an apportionment of the existing economic attributes (including, among others, capital accounts and post-termination payments) of each BGC Holdings limited partnership interests outstanding immediately prior to the Separation between such Legacy BGC Holdings Unit and the fraction of a Newmark Holdings LPU issued in the Separation in respect of such Legacy BGC Holdings Unit, based on the relative value of BGC and Newmark as of after the Newmark IPO;
- an adjustment of the exchange mechanism between the Newmark IPO and the Distribution so that one exchangeable BGC Holdings unit together with a number of exchangeable Newmark Holdings units equal to 0.4545 divided by the Newmark Holdings Exchange Ratio as of such time, must be exchanged in order to receive one share of BGC Class A common stock; and
- a right of the employer of a partner (whether it be Newmark or BGC) to determine whether to grant exchangeability with respect to Legacy BGC Holdings Units or Legacy Newmark Holdings Units held by such partner.

The Second Amended and Restated BGC Holdings Partnership Agreement also removes certain classes of BGC Holdings units that are no longer outstanding, and permits the general partner of BGC Holdings to determine the total number of authorized BGC Holdings units. The Second Amended and Restated BGC Holdings Limited Partnership Agreement was approved by the Audit Committee.

### ***Registration Statements***

We currently have in place an effective equity shelf registration statement on Form S-3 filed on March 9, 2018 with respect to the issuance and sale of up to an aggregate of \$300.0 million of shares of BGC Class A common stock from time to time on a delayed or continuous basis. On March 9, 2018, we entered into the March 2018 Sales Agreement, pursuant to which we may offer and sell up to an aggregate of \$300.0 million of shares of BGC Class A common stock under the CEO Program. Proceeds from shares of BGC Class A common stock sold under this CEO Program Sales Agreement may be used for redemptions of limited partnership interests in BGC Holdings, as well as for general corporate purposes, including acquisitions and the repayment of debt. CF&Co is a wholly owned subsidiary of Cantor and an affiliate of us. Under this Sales Agreement, we have agreed to pay CF&Co 2% of the gross proceeds from the sale of shares. For certain transactions during 2020, we paid CF&Co 1% of the gross proceeds from the sale of shares of our Class A common stock in our CEO program. As of the date of filing of this Form 10-Q, we have issued 17.6 million shares of BGC Class A common stock (or \$210.8 million) under the March 2018 Sales Agreement, and \$89.2 million of stock is remaining for sale by us under the March 2018 Sales Agreement. For additional information on the Company’s CEO Program sales agreements, see Note 14—“Related Party Transactions” to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q. On March 8, 2021, we filed a replacement CEO Program shelf registration statement on Form S-3, which has not yet been declared



effective, with respect to the issuance and sale of up to an aggregate of \$300.0 million of shares of BGC Class A common stock (inclusive of the \$89.2 million of shares remaining for sale under the current CEO Program) from time to time on a delayed or continuous basis.

We intend to use the net proceeds of any shares of BGC Class A common stock sold for general corporate purposes for potential acquisitions, redemptions of LPUs and FPU's in BGC Holdings and repurchases of shares of BGC Class A common stock from partners, executive officers and other employees of ours or our subsidiaries and of Cantor and its affiliates. Certain of such partners will be expected to use the proceeds from such sales to repay outstanding loans issued by, or credit enhanced by, Cantor, or BGC Holdings. In addition to general corporate purposes, these sales along with our share repurchase authorization are designed as a planning device in order to facilitate the redemption process. Going forward, we may redeem units and reduce our fully diluted share count under our repurchase authorization or later sell shares of BGC Class A common stock under the March 2018 Sales Agreement.

Further, we have an effective registration statement on Form S-4 filed on September 3, 2010, with respect to the offer and sale of up to 20 million shares of BGC Class A common stock from time to time in connection with business combination transactions, including acquisitions of other businesses, assets, properties or securities. As of June 30, 2021, we have issued an aggregate of 15.0 million shares of BGC Class A common stock under this Form S-4 registration statement. Additionally, on September 13, 2019, we filed a registration statement on Form S-4, with respect to the offer and sale of up to 20 million shares of Class A common stock from time to time in connection with business combination transactions, including acquisitions of other businesses, assets, properties or securities. As of June 30, 2021, we have not issued any shares of BGC Class A common stock under this Form S-4 registration statement. We also have an effective shelf registration statement on Form S-3 pursuant to which we can offer and sell up to 10 million shares of BGC Class A common stock under the BGC Partners, Inc. Dividend Reinvestment and Stock Purchase Plan. As of June 30, 2021, we have issued 0.7 million shares of BGC Class A common stock under the Dividend Reinvestment and Stock Purchase Plan.

The Compensation Committee may grant stock options, stock appreciation rights, deferred stock such as RSUs, bonus stock, performance awards, dividend equivalents and other equity-based awards, including to provide exchange rights for shares of BGC Class A common stock upon exchange of LPUs. On June 22, 2016, at our Annual Meeting of Stockholders, our stockholders approved our Equity Plan to increase from 350 million to 400 million the aggregate number of shares of BGC Class A common stock that may be delivered or cash-settled pursuant to awards granted during the life of the Equity Plan. As of June 30, 2021, the limit on the aggregate number of shares authorized to be delivered allowed for the grant of future awards relating to 86.4 million shares of BGC Class A common stock.

On October 20, 2020, we filed a registration statement on Form S-3, which was declared effective on October 28, 2020, pursuant to which CF&Co may make offers and sales of our 5.125% Senior Notes, 5.375% Senior Notes, 3.750% Senior Notes and 4.375% Senior Notes in connection with ongoing market-making transactions which may occur from time to time. Such market-making transactions in these securities may occur in the open market or may be privately negotiated at prevailing market prices at a time of resale or at related or negotiated prices. Neither CF&Co, nor any other of our affiliates, has any obligation to make a market in our securities, and CF&Co or any such other affiliate may discontinue market-making activities at any time without notice.

## CONTINGENT PAYMENTS RELATED TO ACQUISITIONS

Since 2016, the Company has completed acquisitions whose purchase price included an aggregate of approximately 2.2 million shares of the Company's Class A common stock (with an acquisition date fair value of approximately \$9.2 million), 0.1 million LPUs (with an acquisition date fair value of approximately \$0.2 million), 0.2 million RSUs (with an acquisition date fair value of approximately \$1.1 million) and \$37.5 million in cash that may be issued contingent on certain targets being met through 2023.

As of June 30, 2021, the Company has issued 0.5 million shares of BGC Class A common stock, 0.1 million of RSUs and paid \$27.3 million in cash related to such contingent payments.

As of June 30, 2021, 1.8 million shares of BGC Class A common stock, 0.2 million RSUs and \$22.8 million in cash remain to be issued if the targets are met, net of forfeitures and other adjustments.

## DERIVATIVE SUIT

On October 5, 2018, Roofers Local 149 Pension Fund filed a putative derivative complaint in the Delaware Chancery Court, captioned *Roofers Local 149 Pension Fund vs. Howard Lutnick, et al.* (Case No. 2018-0722), alleging breaches of fiduciary duty against (i) the members of the Board, (ii) Howard Lutnick, CFGM, and Cantor as controlling stockholders of BGC, and (iii) Howard Lutnick as an officer of BGC. The complaint challenges the transactions by which BGC (i) completed the Berkeley Point acquisition from CCRE for \$875 million and (ii) committed to invest \$100 million for a 27% interest in Real

Estate, L.P. (collectively, the “Transaction”). Among other things, the complaint alleges that (i) the price BGC paid in connection with the Transaction was unfair, (ii) the process leading up to the Transaction was unfair, and (iii) the members of the special committee of the Board were not independent. It seeks to recover for the Company unquantified damages, disgorgement of any payments received by defendants, and attorneys' fees.

A month later, on November 5, 2018, the same plaintiffs' firm filed an identical putative derivative complaint against the same defendants seeking the same relief on behalf of a second client, Northern California Pipe Trades Trust Funds. The cases have been consolidated into a single action, captioned *In re BGC Partners, Inc. Derivative Litigation* (Consolidated C.A. No. 2018-0722-AGB), and the complaint filed by Roofers Local 149 Pension Fund on October 5, 2018 was designated as the operative complaint.

In response to motions to dismiss filed by all defendants in December 2018, Plaintiffs filed a motion for leave to amend the operative complaint in February 2019, requesting that the Court allow them to supplement their allegations, which the Court granted. The amended complaint alleges the same purported breaches of fiduciary duty as the operative complaint, raises no new claims, and seeks identical relief, but includes additional allegations, including alleged reasons for plaintiffs' failure to make a demand on the Board, which was the basis of defendants' motion to dismiss. On March 19, 2019, all defendants filed motions to dismiss the amended complaints, again on demand grounds. On September 30, 2019, the Court denied defendants' motions to dismiss, permitting the case to move forward into discovery. In its ruling, the Court determined that the amended complaint sufficiently pled that plaintiffs were not required to make demand on the Board in order to file a derivative suit, but did not make findings of fact with respect to the underlying merits of plaintiffs' allegations concerning the Transaction. On February 11, 2021, following the close of discovery, the Company and the independent directors of the Board filed motions for summary judgment seeking dismissal of the case based on the discovery record, which plaintiffs have opposed. Argument was held on defendants' summary judgment motions on June 22, 2021, but no decision has yet been issued. If the Court does not rule in defendants' favor on these motions, trial is currently set for October 2021.

The Company continues to believe that the allegations pled against the defendants in the amended complaint are without merit and intends to defend against them vigorously as the case moves forward. However, as in any litigated matter, the outcome cannot be determined with certainty.

## **PURCHASE OF LIMITED PARTNERSHIP INTERESTS**

Cantor has the right to purchase Cantor units from BGC Holdings upon redemption of non-exchangeable FPU's redeemed by BGC Holdings upon termination or bankruptcy of the Founding/Working Partner. In addition, pursuant to Article Eight, Section 8.08, of the Second Amended and Restated BGC Holdings Limited Partnership Agreement (previously the Sixth Amendment), where either current, terminating, or terminated partners are permitted by the Company to exchange any portion of their FPU's and Cantor consents to such exchangeability, the Company shall offer to Cantor the opportunity for Cantor to purchase the same number of Cantor units in BGC Holdings at the price that Cantor would have paid for Cantor units had the Company redeemed the FPU's. If Cantor acquires any Cantor units as a result of the purchase or redemption by BGC Holdings of any FPU's, Cantor will be entitled to the benefits (including distributions) of such units it acquires from the date of termination or bankruptcy of the applicable Founding/Working Partner. In addition, any such Cantor units purchased by Cantor are currently exchangeable for up to 23.6 million shares of BGC Class B common stock or, at Cantor's election or if there are no such additional shares of BGC Class B common stock, shares of BGC Class A common stock, in each case on a one-for-one basis (subject to customary anti-dilution adjustments).

On March 31, 2021, Cantor purchased from BGC Holdings an aggregate of 1,149,684 Cantor units for aggregate consideration of \$2,104,433 as a result of the redemption of 1,149,684 FPU's, and 1,618,376 Cantor units for aggregate consideration of \$3,040,411 as a result of the exchange of 1,618,376 FPU's. Each Cantor unit in BGC Holdings held by Cantor is exchangeable by Cantor at any time on a one-for-one basis (subject to adjustment) for shares of BGC Class A common stock.

As of June 30, 2021, there were 1.6 million FPU's in BGC Holdings remaining, which BGC Holdings had the right to redeem or exchange and with respect to which Cantor will have the right to purchase an equivalent number of Cantor units following such redemption or exchange.

## **JOINT SERVICES AGREEMENT WITH CANTOR**

In February 2019, the Audit Committee authorized us to enter into a short-term services agreement with Cantor pursuant to which Cantor would be responsible for clearing, settling and processing certain transactions executed on behalf of customers in exchange for a 33% revenue share based on net transaction revenue and the payment by BGC of the fully allocated cost of certain salespersons related thereto. In May 2020, the Audit Committee authorized us to extend the initial term of the short-term services agreement for an additional nine months.



## **GUARANTEE AGREEMENT FROM MINT BROKERS**

Under rules adopted by the CFTC, all foreign introducing brokers engaging in transactions with U.S. persons are required to register with the NFA and either meet financial reporting and net capital requirements on an individual basis or obtain a guarantee agreement from a registered Futures Commission Merchant. Our European-based brokers engage from time to time in interest rate swap transactions with U.S.-based counterparties, and therefore we are subject to the CFTC requirements. Mint Brokers has entered into guarantees on our behalf (and on behalf of GFI), and we are required to indemnify Mint Brokers for the amounts, if any, paid by Mint Brokers on our behalf pursuant to this arrangement. Effective April 1, 2020, these guarantees were transferred to Mint Brokers from CF&Co. During both the three months ended June 30, 2021, the Company recorded expenses of \$31 thousand with respect to these guarantees. During both the six months ended June 30, 2021, the Company recorded expenses of \$63 thousand with respect to these guarantees.

## **BGC SUBLEASE FROM NEWMARK**

In May 2020, BGC U.S. OpCo entered into an arrangement to sublease excess space from RKF Retail Holdings LLC, a subsidiary of Newmark, which sublease was approved by the Audit Committee. The deal is a one-year sublease of approximately 21,000 rentable square feet in New York City. Under the terms of the sublease, BGC U.S. OpCo will pay a fixed rent amount of \$1.1 million in addition to all operating and tax expenses attributable to the lease. In connection with the sublease, BGC U.S. OpCo paid \$0.1 million and \$0.1 million for the three months ended June 30, 2021 and 2020, respectively. In connection with the sublease, BGC U.S. OpCo paid \$0.4 million and \$0.1 million for the six months ended June 30, 2021 and 2020, respectively.

## **DEBT REPURCHASE PROGRAM**

On June 11, 2020, the Company's Board of Directors and its Audit Committee authorized a debt repurchase program for the repurchase by the Company of up to \$50.0 million of Company Debt Securities. Repurchases of Company Debt Securities, if any, are expected to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption.

Under the authorization, the Company may make repurchases of Company Debt Securities for cash from time to time in the open market or in privately negotiated transactions upon such terms and at such prices as management may determine. Additionally, the Company is authorized to make any such repurchases of Company Debt Securities through CF&Co (or its affiliates), in its capacity as agent or principal, or such other broker-dealers as management shall determine to utilize from time to time, and such repurchases shall be subject to brokerage commissions which are no higher than standard market commission rates.

As of June 30, 2021, the Company had \$50.0 million remaining from its debt repurchase authorization.

## **PURCHASE OF CX FUTURES TRANSACTION**

On June 7, 2021, the Board and Audit Committee approved entry into an agreement between certain affiliates of BGC and Cantor for the sale to BGC of Cantor's futures exchange and related clearinghouse. On June 21, 2021, BGC entered into a Purchase Agreement with Cantor, providing that at closing BGC will purchase the direct and indirect equity of each of (i) CFLP CX Futures Exchange Holdings, LLC, (ii) CFLP CX Futures Exchange Holdings, L.P., (iii) CX Futures Exchange Holdings, LLC, (iv) CX Clearinghouse Holdings, LLC, (v) CX Futures Exchange, L.P. and (vi) CX Clearinghouse, L.P., for a purchase price of approximately \$4.9 million at closing, plus the cash held at closing by the Futures Exchange Group, and an earn-out, only payable out of BGC's portion of the profits of the Futures Exchange Group, capped at the amount Cantor contributed to the Futures Exchange Group prior to closing. The Futures Transaction closed on July 30, 2021.

## **EQUITY METHOD INVESTMENTS**

The Company was authorized to enter into loans, investments or other credit support arrangements for Aqua (see Note 13— "Related Party Transactions," to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q); such arrangements are proportionally and on the same terms as similar arrangements between Aqua and Cantor. On February 5, 2020 and February 25, 2021, the Company's Board and Audit Committee increased the authorized amount by an additional \$2.0 million and \$1.0 million respectively, to an aggregate of \$20.2 million. The Company has been further authorized to provide counterparty or similar guarantees on behalf of Aqua from time to time, provided that liability for any such guarantees, as well as similar guarantees provided by Cantor, would be shared proportionally with Cantor.

## **UNIT REDEMPTIONS AND EXCHANGES—EXECUTIVE OFFICERS**

On February 22, 2021, the Company granted Sean A. Windeatt 123,713 exchange rights with respect to 123,713 non-exchangeable LPUs that were previously granted to Mr. Windeatt on February 22, 2019. The resulting 123,713 exchangeable LPUs are immediately exchangeable by Mr. Windeatt for an aggregate of 123,713 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 28,477 non-exchangeable PLPUs held by Mr. Windeatt, for a payment of \$178,266 for taxes when the LPU units are exchanged.

On April 8, 2021, the Compensation Committee approved the repurchase by the Company on April 23, 2021 of 123,713 exchangeable BGC Holdings LPU-NEWS held by Mr. Windeatt at the price of \$5.65, which was the closing price of our Class A common stock on April 23, 2021, and the redemption of 28,477 exchangeable BGC Holdings PLPU-NEWS held by Mr. Windeatt for \$178,266, less applicable taxes and withholdings.

On April 8, 2021, the Compensation Committee approved the repurchase by the Company of the remaining 62,211 exchangeable BGC Holdings LPUs held by Mr. Windeatt that were granted exchangeability on March 2, 2020 at the price of \$5.38, the closing price of Class A common stock on April 8, 2020.

On April 28, 2021, the Compensation Committee approved an additional monetization opportunity for Mr. Merkel. Effective April 29, 2021, 108,350 of Mr. Merkel's 273,612 non-exchangeable BGC Holdings PSUs were redeemed for zero, 101,358 of Mr. Merkel's 250,659 non-exchangeable BGC Holdings PPSUs were redeemed for a cash payment of \$575,687, and 108,350 shares of BGC Class A common stock were issued to Mr. Merkel. On April 29, 2021, the 108,350 shares of BGC Class A common stock were repurchased from Mr. Merkel at the closing price of our Class A common stock on that date, under our stock buyback program.

On June 28, 2021, (i) the Company exchanged 520,380 exchangeable LPUs held by Mr. Lutnick at the price of \$5.86, which was the closing price of the Company's Class A common stock on June 28, 2021, for 520,380 shares of BGC Class A common stock, less applicable taxes and withholdings, resulting in the delivery of 365,229 net shares of BGC Class A common stock to Mr. Lutnick, and in connection with the exchange of these 520,380 exchangeable LPUs, 425,765 exchangeable PLPUs were redeemed for a cash payment of \$1,525,705 towards taxes; (ii) 88,636 non-exchangeable LPUs were redeemed for zero, and in connection therewith the Company issued Mr. Lutnick 88,636 shares of BGC Class A common stock, less applicable taxes and withholdings, resulting in the delivery of 41,464 net shares of BGC Class A common stock to Mr. Lutnick; and (iii) 1,131,774 H Units held by Mr. Lutnick were redeemed for 1,131,774 HDUs with a capital account of \$7,017,000, and in connection with the redemption of these 1,131,774 H Units, 1,018,390 Preferred H Units were redeemed for \$7,983,000 for taxes.

On March 2, 2020, the Company granted Stephen M. Merkel 360,065 exchange rights with respect to 360,065 non-exchangeable LPUs that were previously granted to Mr. Merkel. The resulting 360,065 exchangeable LPUs were immediately exchangeable by Mr. Merkel for an aggregate of 360,065 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 265,568 non-exchangeable PLPUs held by Mr. Merkel, for a payment of \$1,507,285 for taxes when the LPU units were exchanged. On March 20, 2020, the Company redeemed 185,300 of such 360,065 exchangeable LPUs held by Mr. Merkel at the average price of shares of BGC Class A common stock sold under BGC's CEO Program from March 10, 2020 to March 13, 2020 less 1% (approximately \$4.0024 per LPU, for an aggregate redemption price of approximately \$741,644). This transaction was approved by the Compensation Committee. On July 30, 2020, the Company redeemed the remaining 174,765 exchangeable LPUs held by Mr. Merkel at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 185,300 exchangeable LPUs on March 20, 2020, 122,579 PLPUs were redeemed for \$661,303 for taxes. In connection with the redemption of the 174,765 LPUs on July 30, 2020, 142,989 PLPUs were redeemed for \$846,182 for taxes.

On March 2, 2020, the Company granted Shaun D. Lynn 883,348 exchange rights with respect to 883,348 non-exchangeable LPUs that were previously granted to Mr. Lynn. The resulting 883,348 exchangeable LPUs were immediately exchangeable by Mr. Lynn for an aggregate of 883,348 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 245,140 non-exchangeable PLPUs held by Mr. Lynn, for a payment of \$1,099,599 for taxes when the LPU units are exchanged. On July 30, 2020, the Company redeemed 797,222 exchangeable LPUs held by Mr. Lynn at the price of \$2.76, the closing price of our Class A Common Stock on July 30, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 797,222 exchangeable LPUs, 221,239 exchangeable PLPUs were redeemed for \$992,388 for taxes. In connection with the redemption, Mr. Lynn's remaining 86,126 exchangeable LPUs and 23,901 exchangeable PLPUs were redeemed for zero upon exchange in connection with his LLP status.

On March 2, 2020, the Company granted Sean A. Windeatt 519,725 exchange rights with respect to 519,725 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 519,725 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 519,725 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 97,656 non-exchangeable PLPUs held by Mr. Windeatt, for a payment of \$645,779 for taxes when the LPU units are exchanged. On August

5, 2020, the Company redeemed 436,665 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of the 436,665 exchangeable LPUs, 96,216 exchangeable PLPUs were redeemed for \$637,866 for taxes. In connection with the redemption, 20,849 exchangeable LPUs and 1,440 exchangeable PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

Additionally, on August 5, 2020, the Company granted Mr. Windeatt 40,437 exchange rights with respect to 40,437 non-exchangeable LPUs that were previously granted to Mr. Windeatt. The resulting 40,437 exchangeable LPUs were immediately exchangeable by Mr. Windeatt for an aggregate of 40,437 shares of BGC Class A common stock. The grant was approved by the Compensation Committee. Additionally, the Compensation Committee approved the right to exchange for cash 21,774 non-exchangeable PLPUs held by Mr. Windeatt. On August 5, 2020, the Company redeemed these 40,437 exchangeable LPUs held by Mr. Windeatt at the price of \$2.90, the closing price of our Class A common stock on August 5, 2020. This transaction was approved by the Compensation Committee. In connection with the redemption of these 40,437 exchangeable LPUs, the 21,774 exchangeable PLPUs were redeemed for \$136,305 for taxes.

In addition to the foregoing, on August 6, 2020, Mr. Windeatt was granted exchange rights with respect to 43,890 non-exchangeable Newmark Holding LPUs that were previously granted to Mr. Windeatt. Additionally, Mr. Windeatt was granted the right to exchange for cash 17,068 non-exchangeable Newmark Holdings PLPUs held by Mr. Windeatt. As these Newmark Holdings LPUs and PLPUs were previously non-exchangeable, the Company took a transaction charge of \$381,961 upon grant of exchangeability. On August 6, 2020, Newmark redeemed the 40,209 Newmark Holdings exchangeable LPUs held by Mr. Windeatt for an amount equal to the closing price of Newmark's Class A Common Stock on August 6, 2020 (\$4.16) multiplied by 37,660 (the amount of shares of Newmark's Class A Common Stock the 40,209 Newmark Holdings LPUs were exchangeable into based on the Exchange Ratio at August 6, 2020). In connection with the redemption of these 40,209 exchangeable Newmark Holdings LPUs, 15,637 exchangeable Newmark Holdings PLPUs were redeemed for \$194,086 for taxes. In connection with the redemption, 3,681 exchangeable Newmark Holding LPUs and 1,431 exchangeable Newmark Holdings PLPUs were redeemed for zero upon exchange in connection with Mr. Windeatt's LLP status.

## MARKET SUMMARY

The following table provides certain volume and transaction count information for the quarterly periods indicated:

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Notional Volume (in billions)</b>					
Total Fully Electronic volume	10,245	11,803	8,736	8,426	7,206
Total Hybrid volume <sup>1</sup>	61,989	67,913	59,165	64,298	63,873
Total Fully Electronic and Hybrid volume	72,234	79,716	67,901	72,724	71,079
<b>Transaction Count (in thousands, except for days)</b>					
Total Fully Electronic transactions	3,217	3,745	2,895	2,735	3,247
Total Hybrid transactions	1,152	1,348	1,129	1,115	1,333
Total Fully Electronic and Hybrid transactions	4,369	5,093	4,024	3,850	4,580
Trading days	63	61	64	64	63

Note: Certain information may have been recast with current estimates to reflect changes in reporting methodology. Such revisions have no impact on the Company's revenues or earnings.

- 1 Hybrid is defined as transactions involving some element of electronic trading but executed by BGC's brokers, exclusive of voice-only transactions. Fully electronic involves customer-to-customer trades, free from broker execution.

Fully Electronic volume, including new products, was \$10.2 trillion for the three months ended June 30, 2021, compared to \$7.2 trillion for the three months ended June 30, 2020. Our Hybrid volume for the three months ended June 30, 2021 was \$62.0 trillion, compared to \$63.9 trillion for the three months ended June 30, 2020.

## OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we enter into arrangements with unconsolidated entities, including variable interest entities. See Note 15 —“Investments” to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information related to our investments in unconsolidated entities.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of our unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in our unaudited condensed consolidated financial statements. These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our unaudited condensed consolidated statements of financial condition, unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of cash flows could be materially affected. We believe that the following accounting policies involve a higher degree of judgment and complexity.

### ***Revenue Recognition***

We derive our revenues primarily through commissions from brokerage services, the spread between the buy and sell prices on matched principal transactions, fees from related parties, data, software and post-trade services, and other revenues. See Note 3—“Summary of Significant Accounting Policies” to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020, for further information regarding revenue recognition.

### ***Equity-Based and Other Compensation***

**Discretionary Bonus:** A portion of our compensation and employee benefits expense is comprised of discretionary bonuses, which may be paid in cash, equity, partnership awards or a combination thereof. We accrue expense in a period based on revenues in that period and on the expected combination of cash, equity and partnership units. Given the assumptions used in estimating discretionary bonuses, actual results may differ.

**Restricted Stock Units:** We account for equity-based compensation under the fair value recognition provisions of the U.S. GAAP guidance. RSUs provided to certain employees are accounted for as equity awards, and in accordance with the U.S. GAAP, we are required to record an expense for the portion of the RSUs that is ultimately expected to vest. Further, forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Because assumptions are used in estimating employee turnover and associated forfeiture rates, actual results may differ from our estimates under different assumptions or conditions.

The fair value of RSU awards to employees is determined on the date of grant, based on the fair value of BGC Class A common stock. Generally, RSUs granted by us as employee compensation do not receive dividend equivalents; as such, we adjust the fair value of the RSUs for the present value of expected forgone dividends, which requires us to include an estimate of expected dividends as a valuation input. This grant-date fair value is amortized to expense ratably over the awards’ vesting periods. For RSUs with graded vesting features, we have made an accounting policy election to recognize compensation cost on a straight-line basis. The amortization is reflected as part of “Equity-based compensation and allocations of net income to limited partnership units and FPU” in our unaudited condensed consolidated statements of operations.

**Restricted Stock:** Restricted stock provided to certain employees is accounted for as an equity award, and as per the U.S. GAAP guidance, we are required to record an expense for the portion of the restricted stock that is ultimately expected to vest. We have granted restricted stock that is not subject to continued employment or service; however, transferability is subject to compliance with our and our affiliates’ customary noncompete obligations. Such shares of restricted stock are generally saleable by partners in five to ten years. Because the restricted stock is not subject to continued employment or service, the grant-date fair value of the restricted stock is expensed on the date of grant. The expense is reflected as non-cash equity-based compensation expense in our unaudited condensed consolidated statements of operations.

**Limited Partnership Units:** LPUs in BGC Holdings and Newmark Holdings are generally held by employees. Generally, such units receive quarterly allocations of net income, which are cash distributed on a quarterly basis and generally contingent upon services being provided by the unit holders. In addition, Preferred Units are granted in connection with the grant of certain LPUs, such as PSUs, that may be granted exchangeability or redeemed in connection with the grant of shares of common stock to cover the withholding taxes owed by the unit holder upon such exchange or grant. This is an acceptable alternative to the common practice among public companies of issuing the gross amount of shares to employees, subject to cashless withholding of shares to pay applicable withholding taxes. Our Preferred Units are not entitled to participate in partnership distributions other than with respect to a distribution at a rate of either 0.6875% (which is 2.75% per calendar year) or such other amount as set forth in the award documentation. The quarterly allocations of net income to such LPUs are

reflected as a component of compensation expense under “Equity-based compensation and allocations of net income to limited partnership units and FPU” in our unaudited condensed consolidated statements of operations.

Certain of these LPUs entitle the holders to receive post-termination payments equal to the notional amount, generally in four equal yearly installments after the holder’s termination. These LPUs are accounted for as post-termination liability awards under the U.S. GAAP. Accordingly, we recognize a liability for these units on our consolidated statements of financial condition as part of “Accrued compensation” for the amortized portion of the post-termination payment amount, based on the current fair value of the expected future cash payout. We amortize the post-termination payment amount, less an expected forfeiture rate, over the vesting period, and record an expense for such awards based on the change in value at each reporting period in our unaudited condensed consolidated statements of operations as part of “Equity-based compensation and allocations of net income to limited partnership units and FPU”.

Certain LPUs are granted exchangeability into shares of BGC or Newmark Class A common stock or are redeemed in connection with the grant of BGC or Newmark Class A common stock issued; BGC Class A common stock is issued on a one-for-one basis, and Newmark Class A common stock is issued based on the number of LPUs exchanged or redeemed multiplied by the then Exchange Ratio. At the time exchangeability is granted or shares of BGC or Newmark Class A common stock are issued, we recognize an expense based on the fair value of the award on that date, which is included in “Equity-based compensation and allocations of net income to limited partnership units and FPU” in our unaudited condensed consolidated statements of operations. During the three months ended June 30, 2021 and 2020, we incurred equity-based compensation expense of \$31.2 million and \$2.4 million, respectively. During the six months ended June 30, 2021 and 2020, we incurred equity-based compensation expense of \$39.1 million and \$25.4 million, respectively.

Certain LPUs have a stated vesting schedule and do not receive quarterly allocations of net income. Compensation expense related to these LPUs is recognized over the stated service period, and these units generally vest between two and five years. During the three months ended June 30, 2021 and 2020, we incurred equity-based compensation expense related to these LPUs of \$16.7 million and \$19.5 million, respectively. During the six months ended June 30, 2021 and 2020, we incurred equity-based compensation expense related to these LPUs of \$33.8 million and \$35.8 million, respectively. This expense is included in “Equity-based compensation and allocations of net income to limited partnership units and FPU” in our unaudited condensed consolidated statements of operations.

**Employee Loans:** We have entered into various agreements with certain employees and partners, whereby these individuals receive loans that may be either wholly or in part repaid from distributions that the individuals receive on some or all of their LPUs and from proceeds of the sale of the employees’ shares of BGC Class A common stock or may be forgiven over a period of time. Cash advance distribution loans are documented in formal agreements and are repayable in timeframes outlined in the underlying agreements. We intend for these advances to be repaid in full from the future distributions on existing and future awards granted. The distributions are treated as compensation expense when made and the proceeds are used to repay the loan. The forgivable portion of any loans is recognized as compensation expense in our unaudited condensed consolidated statements of operations over the life of the loan. We review the loan balances each reporting period for collectability. If we determine that the collectability of a portion of the loan balances is not expected, we recognize a reserve against the loan balances. Actual collectability of loan balances may differ from our estimates.

As of June 30, 2021 and December 31, 2020, the aggregate balance of employee loans, net of reserve, was \$370.8 million and \$408.1 million, respectively, and is included as “Loans, forgivable loans and other receivables from employees and partners, net” in our unaudited condensed consolidated statements of financial condition. The June 30, 2021 balance above excludes \$14.5 million of employee loans classified as Assets held for sale as of June 30, 2021. Compensation expense (benefit) for the above-mentioned employee loans for the three months ended June 30, 2021 and 2020 was \$19.1 million and \$17.1 million, respectively. Compensation expense (benefit) for the above-mentioned employee loans for the six months ended June 30, 2021 and 2020 was \$34.7 million and \$31.6 million, respectively. The compensation expense related to these loans was included as part of “Compensation and employee benefits” in our unaudited condensed consolidated statements of operations.

### ***Goodwill***

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. As prescribed in the U.S. GAAP guidance, Intangibles – Goodwill and Other, goodwill is not amortized, but instead is periodically tested for impairment. We review goodwill for impairment on an annual basis during the fourth quarter of each fiscal year or whenever an event occurs or circumstances change that could reduce the fair value of a reporting unit below its carrying amount.

When reviewing goodwill for impairment, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we choose to bypass the qualitative assessment, we perform a quantitative goodwill impairment analysis as follows.

The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss should be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is deemed not to be impaired. To estimate the fair value of the reporting unit, we use a discounted cash flow model and data regarding market comparables. The valuation process requires significant judgment and involves the use of significant estimates and assumptions. These assumptions include cash flow projections, estimated cost of capital and the selection of peer companies and relevant multiples. Because assumptions and estimates are used in projecting future cash flows, choosing peer companies and selecting relevant multiples, actual results may differ from our estimates under different assumptions or conditions.

### **CECL**

We present financial assets that are measured at amortized cost net of an allowance for credit losses, which represents the amount expected to be collected over their estimated life. Expected credit losses for newly recognized financial assets carried at amortized cost, as well as changes to expected lifetime credit losses during the period, are recognized in earnings. The CECL methodology, which became effective for the Company on January 1, 2020, represents a significant change from prior U.S. GAAP and replaced the prior multiple impairment methods, which generally required that a loss be incurred before it was recognized. Within the life cycle of a loan or other financial asset in scope, the methodology generally results in the earlier recognition of the provision for credit losses and the related allowance for credit losses than under prior U.S. GAAP. The CECL methodology's impact on expected credit losses, among other things, reflects the Company's view of the current state of the economy, forecasted macroeconomic conditions and BGC's portfolios.

### **Income Taxes**

We account for income taxes using the asset and liability method as prescribed in the U.S. GAAP guidance, *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to basis differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Certain of our entities are taxed as U.S. partnerships and are subject to UBT in the City of New York. Therefore, the tax liability or benefit related to the partnership income or loss except for UBT rests with the partners (see Note 2—"Limited Partnership Interests in BGC Holdings and Newmark Holdings" for a discussion of partnership interests), rather than the partnership entity. As such, the partners' tax liability or benefit is not reflected in our unaudited condensed consolidated financial statements. The tax-related assets, liabilities, provisions or benefits included in our unaudited condensed consolidated financial statements also reflect the results of the entities that are taxed as corporations, either in the U.S. or in foreign jurisdictions.

We provide for uncertain tax positions based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. Management is required to determine whether a tax position is more likely than not to be sustained upon examination by tax authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Because significant assumptions are used in determining whether a tax benefit is more likely than not to be sustained upon examination by tax authorities, actual results may differ from our estimates under different assumptions or conditions. We recognize interest and penalties related to income tax matters in "Provision for income taxes" in our unaudited condensed consolidated statements of operations.

A valuation allowance is recorded against deferred tax assets if it is deemed more likely than not that those assets will not be realized. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, the existence of cumulative losses in the most recent fiscal years, estimates of future taxable income and the feasibility of tax planning strategies.

The measurement of current and deferred income tax assets and liabilities is based on provisions of enacted tax laws and involves uncertainties in the application of tax regulations in the U.S. and other tax jurisdictions. Because our interpretation of complex tax law may impact the measurement of current and deferred income taxes, actual results may differ from these estimates under different assumptions regarding the application of tax law.

The Tax Act was enacted on December 22, 2017, which includes the global intangible low-taxed income, GILTI, provision. This provision requires inclusion in the Company's U.S. income tax return the earnings of certain foreign subsidiaries. The Company has elected to treat taxes associated with the GILTI provision using the Period Cost Method and thus has not recorded deferred taxes for basis differences under this regime.

See Note 3—"Summary of Significant Accounting Policies" to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K as of December 31, 2020 for additional information regarding these critical accounting policies and other significant accounting policies.



## RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1—“Organization and Basis of Presentation” to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding recent accounting pronouncements.

## CAPITAL DEPLOYMENT PRIORITIES, DIVIDEND POLICY AND REPURCHASE AND REDEMPTION PROGRAM

BGC’s 2021 capital allocation priorities are to return capital to stockholders and to continue investing in its high growth Fenics businesses. BGC plans to prioritize share and unit repurchases over dividends and distributions. We have repurchased or redeemed 21.2 million shares and units during the second quarter and repurchased an additional 10.0 million shares so far in the third quarter.

Traditionally, our dividend policy provides that we expect to pay a quarterly cash dividend to our common stockholders based on our post-tax Adjusted Earnings per fully diluted share. Please see below for a detailed definition of post-tax Adjusted Earnings per fully diluted share. Beginning in the first quarter of 2020, and for all of the quarterly periods in 2020, the Board reduced the quarterly dividend to \$0.01 per share out of an abundance of caution in order to strengthen the Company’s balance sheet as the global capital markets faced difficult and unprecedented macroeconomic conditions related to the global pandemic. Additionally, during 2020, BGC Holdings, L.P. reduced its distributions to or on behalf of its partners. We plan to continue dividends and distributions at or near current levels through the balance of 2021 and prioritize our other capital allocation priorities. BGC believes that these steps will allow the Company to maintain its financial strength.

Any dividends, if and when declared by our Board, will be paid on a quarterly basis. The dividend to our common stockholders is expected to be calculated based on post-tax Adjusted Earnings allocated to us and generated over the fiscal quarter ending prior to the record date for the dividend. No assurance can be made, however, that a dividend will be paid each quarter. The declaration, payment, timing, and amount of any future dividends payable by us will be at the sole discretion of our Board. With respect to any distributions which are declared, amounts paid to or on behalf of partners will at least cover their related tax payments. Whether any given post-tax amount is equivalent to the amount received by a stockholder also on an after tax basis depends upon stockholders’ and partners’ domiciles and tax status.

We are a holding company, with no direct operations, and therefore we are able to pay dividends only from our available cash on hand and funds received from distributions from BGC U.S. OpCo and BGC Global OpCo. Our ability to pay dividends may also be limited by regulatory considerations as well as by covenants contained in financing or other agreements. In addition, under Delaware law, dividends may be payable only out of surplus, which is our net assets minus our capital (as defined under Delaware law), or, if we have no surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Accordingly, any unanticipated accounting, tax, regulatory or other charges against net income may adversely affect our ability to declare and pay dividends. While we intend to declare and pay dividends quarterly, there can be no assurance that our Board will declare dividends at all or on a regular basis or that the amount of our dividends will not change.

### *Non-GAAP Financial Measures*

We use non-GAAP financial measures that differ from the most directly comparable measures calculated and presented in accordance with U.S. GAAP. Non-GAAP financial measures used by the Company include “Adjusted Earnings before noncontrolling interests and taxes”, which is used interchangeably with “pre-tax Adjusted Earnings”; “Post-tax Adjusted Earnings to fully diluted shareholders”, which is used interchangeably with “post-tax Adjusted Earnings”; and “Adjusted EBITDA”. The definitions of these terms are below.

### *Adjusted Earnings Defined*

BGC uses non-GAAP financial measures, including “Adjusted Earnings before noncontrolling interests and taxes” and “Post-tax Adjusted Earnings to fully diluted shareholders”, which are supplemental measures of operating results used by management to evaluate the financial performance of the Company and its consolidated subsidiaries. BGC believes that Adjusted Earnings best reflect the operating earnings generated by the Company on a consolidated basis and are the earnings which management considers when managing its business.

As compared with “Income (loss) from operations before income taxes” and “Net income (loss) for fully diluted shares”, both prepared in accordance with GAAP, Adjusted Earnings calculations primarily exclude certain non-cash items and other expenses that generally do not involve the receipt or outlay of cash by the Company and/or which do not dilute existing stockholders. In addition, Adjusted Earnings calculations exclude certain gains and charges that management believes do not best reflect the ordinary results of BGC. Adjusted Earnings is calculated by taking the most comparable GAAP measures and

adjusting for certain items with respect to compensation expenses, non-compensation expenses, and other income, as discussed below.

### ***Calculations of Compensation Adjustments for Adjusted Earnings and Adjusted EBITDA***

#### **Treatment of Equity-Based Compensation Line Item for Adjusted Earnings and Adjusted EBITDA**

The Company's Adjusted Earnings and Adjusted EBITDA measures exclude all GAAP charges included in the line item "Equity-based compensation and allocations of net income to limited partnership units and FPU's" (or "equity-based compensation" for purposes of defining the Company's non-GAAP results) as recorded on the Company's GAAP Consolidated Statements of Operations and GAAP Consolidated Statements of Cash Flows. These GAAP equity-based compensation charges reflect the following items:

- \* Charges with respect to grants of exchangeability, which reflect the right of holders of limited partnership units with no capital accounts, such as LPU's and PSU's, to exchange these units into shares of common stock, or into partnership units with capital accounts, such as HDU's, as well as cash paid with respect to taxes withheld or expected to be owed by the unit holder upon such exchange. The withholding taxes related to the exchange of certain non-exchangeable units without a capital account into either common shares or units with a capital account may be funded by the redemption of preferred units such as PPSU's.
- \* Charges with respect to preferred units. Any preferred units would not be included in the Company's fully diluted share count because they cannot be made exchangeable into shares of common stock and are entitled only to a fixed distribution. Preferred units are granted in connection with the grant of certain limited partnership units that may be granted exchangeability or redeemed in connection with the grant of shares of common stock at ratios designed to cover any withholding taxes expected to be paid. This is an alternative to the common practice among public companies of issuing the gross amount of shares to employees, subject to cashless withholding of shares, to pay applicable withholding taxes.
- \* GAAP equity-based compensation charges with respect to the grant of an offsetting amount of common stock or partnership units with capital accounts in connection with the redemption of non-exchangeable units, including PSU's and LPU's.
- \* Charges related to amortization of RSU's and limited partnership units.
- \* Charges related to grants of equity awards, including common stock or partnership units with capital accounts.
- \* Allocations of net income to limited partnership units and FPU's. Such allocations represent the pro-rata portion of post-tax GAAP earnings available to such unit holders.

The amounts of certain quarterly equity-based compensation charges are based upon the Company's estimate of such expected charges during the annual period, as described further below under "Methodology for Calculating Adjusted Earnings Taxes."

Virtually all of BGC's key executives and producers have equity or partnership stakes in the Company and its subsidiaries and generally receive deferred equity or limited partnership units as part of their compensation. A significant percentage of BGC's fully diluted shares are owned by its executives, partners and employees. The Company issues limited partnership units as well as other forms of equity-based compensation, including grants of exchangeability into shares of common stock, to provide liquidity to its employees, to align the interests of its employees and management with those of common stockholders, to help motivate and retain key employees, and to encourage a collaborative culture that drives cross-selling and revenue growth.

All share equivalents that are part of the Company's equity-based compensation program, including REU's, PSU's, LPU's, HDU's, and other units that may be made exchangeable into common stock, as well as RSU's (which are recorded using the treasury stock method), are included in the fully diluted share count when issued or at the beginning of the subsequent quarter after the date of grant. Generally, limited partnership units other than preferred units are expected to be paid a pro-rata distribution based on BGC's calculation of Adjusted Earnings per fully diluted share. However, out of an abundance of caution and in order to strengthen the Company's balance sheet due to the uncertain macroeconomic conditions with respect to the COVID-19 pandemic, BGC Holdings, L.P. has reduced its distributions of income from the operations of BGC's businesses to its partners.

Compensation charges are also adjusted for certain other cash and non-cash items, including those related to the amortization of GFI employee forgivable loans granted prior to the closing of the January 11, 2016 back-end merger with GFI.



### **Certain Other Compensation-Related Adjustments for Adjusted Earnings**

BGC also excludes various other GAAP items that management views as not reflective of the Company's underlying performance in a given period from its calculation of Adjusted Earnings. These may include compensation-related items with respect to cost-saving initiatives, such as severance charges incurred in connection with headcount reductions as part of broad restructuring and/or cost savings plans.

#### ***Calculation of Non-Compensation Adjustments for Adjusted Earnings***

Adjusted Earnings calculations may also exclude items such as:

- \* Non-cash GAAP charges related to the amortization of intangibles with respect to acquisitions;
- \* Acquisition related costs;
- \* Certain rent charges;
- \* Non-cash GAAP asset impairment charges; and
- \* Various other GAAP items that management views as not reflective of the Company's underlying performance in a given period, including non-compensation-related charges incurred as part of broad restructuring and/or cost savings plans. Such GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives, as well as non-cash impairment charges related to assets, goodwill and/or intangibles created from acquisitions.

#### ***Calculation of Adjustments for Other (income) losses for Adjusted Earnings***

Adjusted Earnings calculations also exclude certain other non-cash, non-dilutive, and/or non-economic items, which may, in some periods, include:

- \* Gains or losses on divestitures;
- \* Fair value adjustment of investments;
- \* Certain other GAAP items, including gains or losses related to BGC's investments accounted for under the equity method; and
- \* Any unusual, one-time, non-ordinary, or non-recurring gains or losses.

#### ***Methodology for Calculating Adjusted Earnings Taxes***

Although Adjusted Earnings are calculated on a pre-tax basis, BGC also reports post-tax Adjusted Earnings to fully diluted shareholders. The Company defines post-tax Adjusted Earnings to fully diluted shareholders as pre-tax Adjusted Earnings reduced by the non-GAAP tax provision described below and net income (loss) attributable to noncontrolling interest for Adjusted Earnings.

The Company calculates its tax provision for post-tax Adjusted Earnings using an annual estimate similar to how it accounts for its income tax provision under GAAP. To calculate the quarterly tax provision under GAAP, BGC estimates its full fiscal year GAAP income (loss) from operations before income taxes and noncontrolling interests in subsidiaries and the expected inclusions and deductions for income tax purposes, including expected equity-based compensation during the annual period. The resulting annualized tax rate is applied to BGC's quarterly GAAP income (loss) from operations before income taxes and noncontrolling interests in subsidiaries. At the end of the annual period, the Company updates its estimate to reflect the actual tax amounts owed for the period.

To determine the non-GAAP tax provision, BGC first adjusts pre-tax Adjusted Earnings by recognizing any, and only, amounts for which a tax deduction applies under applicable law. The amounts include charges with respect to equity-based compensation; certain charges related to employee loan forgiveness; certain net operating loss carryforwards when taken for statutory purposes; and certain charges related to tax goodwill amortization. These adjustments may also reflect timing and measurement differences, including treatment of employee loans; changes in the value of units between the dates of grants of exchangeability and the date of actual unit exchange; variations in the value of certain deferred tax assets; and liabilities and the different timing of permitted deductions for tax under GAAP and statutory tax requirements.

After application of these adjustments, the result is the Company's taxable income for its pre-tax Adjusted Earnings, to which BGC then applies the statutory tax rates to determine its non-GAAP tax provision. BGC views the effective tax rate on

pre-tax Adjusted Earnings as equal to the amount of its non-GAAP tax provision divided by the amount of pre-tax Adjusted Earnings.

Generally, the most significant factor affecting this non-GAAP tax provision is the amount of charges relating to equity-based compensation. Because the charges relating to equity-based compensation are deductible in accordance with applicable tax laws, increases in such charges have the effect of lowering the Company's non-GAAP effective tax rate and thereby increasing its post-tax Adjusted Earnings.

BGC incurs income tax expenses based on the location, legal structure and jurisdictional taxing authorities of each of its subsidiaries. Certain of the Company's entities are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax ("UBT") in New York City. Any U.S. federal and state income tax liability or benefit related to the partnership income or loss, with the exception of UBT, rests with the unit holders rather than with the partnership entity. The Company's consolidated financial statements include U.S. federal, state, and local income taxes on the Company's allocable share of the U.S. results of operations. Outside of the U.S., BGC is expected to operate principally through subsidiary corporations subject to local income taxes. For these reasons, taxes for Adjusted Earnings are expected to be presented to show the tax provision the consolidated Company would expect to pay if 100 percent of earnings were taxed at global corporate rates.

#### ***Calculations of Pre- and Post-Tax Adjusted Earnings per Share***

BGC's pre- and post-tax Adjusted Earnings per share calculations assume either that:

- \* The fully diluted share count includes the shares related to any dilutive instruments, but excludes the associated expense, net of tax, when the impact would be dilutive; or
- \* The fully diluted share count excludes the shares related to these instruments, but includes the associated expense, net of tax.

The share count for Adjusted Earnings excludes certain shares and share equivalents expected to be issued in future periods but not yet eligible to receive dividends and/or distributions. Each quarter, the dividend payable to BGC's stockholders, if any, is expected to be determined by the Company's Board of Directors with reference to a number of factors, including post-tax Adjusted Earnings per share. BGC may also pay a pro-rata distribution of net income to limited partnership units, as well as to Cantor for its noncontrolling interest. The amount of this net income, and therefore of these payments per unit, would be determined using the above definition of Adjusted Earnings per share on a pre-tax basis.

The declaration, payment, timing, and amount of any future dividends payable by the Company will be at the discretion of its Board of Directors using the fully diluted share count. For more information on any share count adjustments, see the table titled "Fully Diluted Weighted-Average Share Count under GAAP and for Adjusted Earnings" in the Company's most recent financial results press release.

#### ***Management Rationale for Using Adjusted Earnings***

BGC's calculation of Adjusted Earnings excludes the items discussed above because they are either non-cash in nature, because the anticipated benefits from the expenditures are not expected to be fully realized until future periods, or because the Company views results excluding these items as a better reflection of the underlying performance of BGC's ongoing operations. Management uses Adjusted Earnings in part to help it evaluate, among other things, the overall performance of the Company's business, to make decisions with respect to the Company's operations, and to determine the amount of dividends payable to common stockholders and distributions payable to holders of limited partnership units. Dividends payable to common stockholders and distributions payable to holders of limited partnership units are included within "Dividends to stockholders" and "Earnings distributions to limited partnership interests and noncontrolling interests," respectively, in our unaudited, condensed, consolidated statements of cash flows.

The term "Adjusted Earnings" should not be considered in isolation or as an alternative to GAAP net income (loss). The Company views Adjusted Earnings as a metric that is not indicative of liquidity, or the cash available to fund its operations, but rather as a performance measure. Pre- and post-tax Adjusted Earnings, as well as related measures, are not intended to replace the Company's presentation of its GAAP financial results. However, management believes that these measures help provide investors with a clearer understanding of BGC's financial performance and offer useful information to both management and investors regarding certain financial and business trends related to the Company's financial condition and results of operations. Management believes that the GAAP and Adjusted Earnings measures of financial performance should be considered together.

For more information regarding Adjusted Earnings, see the section in the Company's most recent financial results press release titled "Reconciliation of GAAP Income (Loss) from Operations before Income Taxes to Adjusted Earnings and

GAAP Fully Diluted EPS to Post-Tax Adjusted EPS”, including the related footnotes, for details about how BGC’s non-GAAP results are reconciled to those under GAAP.

#### **Adjusted EBITDA Defined**

BGC also provides an additional non-GAAP financial performance measure, “Adjusted EBITDA”, which it defines as GAAP “Net income (loss) available to common stockholders”, adjusted to add back the following items:

- \* Provision (benefit) for income taxes;
- \* Net income (loss) attributable to noncontrolling interest in subsidiaries;
- \* Interest expense;
- \* Fixed asset depreciation and intangible asset amortization;
- \* Equity-based compensation and allocations of net income to limited partnership units and FPU’s;
- \* Impairment of long-lived assets;
- \* (Gains) losses on equity method investments; and
- \* Certain other non-cash GAAP items, such as non-cash charges of amortized rents incurred by the Company for its new U.K. based headquarters.

The Company’s management believes that its Adjusted EBITDA measure is useful in evaluating BGC’s operating performance, because the calculation of this measure generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, the Company’s management uses this measure to evaluate operating performance and for other discretionary purposes. BGC believes that Adjusted EBITDA is useful to investors to assist them in getting a more complete picture of the Company’s financial results and operations.

Since BGC’s Adjusted EBITDA is not a recognized measurement under GAAP, investors should use this measure in addition to GAAP measures of net income when analyzing BGC’s operating performance. Because not all companies use identical EBITDA calculations, the Company’s presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow or GAAP cash flow from operations because the Company’s Adjusted EBITDA does not consider certain cash requirements, such as tax and debt service payments.

For more information regarding Adjusted EBITDA, see the section in the Company’s most recent financial results press release titled “Reconciliation of GAAP Net Income (Loss) Available to Common Stockholders to Adjusted EBITDA”, including the footnotes to the same, for details about how BGC’s non-GAAP results are reconciled to those under GAAP.

## OUR ORGANIZATIONAL STRUCTURE

### *Stock Ownership*

As of June 30, 2021, there were 348.8 million shares of BGC Class A common stock outstanding. On June 21, 2017, Cantor pledged 10.0 million shares of BGC Class A common stock in connection with a partner loan program. On November 23, 2018, those shares of BGC Class A common stock were converted into 10.0 million shares of BGC Class B common stock and remain pledged in connection with the partner loan program. On November 23, 2018, BGC Partners issued 10.3 million shares of BGC Class B common stock to Cantor and 0.7 million shares of BGC Class B common stock to CFGM, an affiliate of Cantor, in each case in exchange for shares of BGC Class A common stock from Cantor and CFGM, respectively, on a one-to-one basis pursuant to Cantor's and CFGM's right to exchange such shares under the letter agreement, dated as of June 5, 2015, by and between BGC Partners and Cantor. Pursuant to the Exchange Agreement, no additional consideration was paid to BGC Partners by Cantor or CFGM for the Class B Issuance. The Class B Issuance was exempt from registration pursuant to Section 3(a)(9) of the Securities Act. As of June 30, 2021, Cantor and CFGM did not own any shares of BGC Class A common stock. Each share of BGC Class A common stock is entitled to one vote on matters submitted to a vote of our stockholders.

In addition, as of June 30, 2021, Cantor and CFGM held 45.9 million shares of BGC Class B common stock (which represents all of the outstanding shares of BGC Class B common stock), representing approximately 56.8% of our voting power on such date. Each share of BGC Class B common stock is generally entitled to the same rights as a share of BGC Class A common stock, except that, on matters submitted to a vote of our stockholders, each share of Class B common stock is entitled to ten votes. The BGC Class B common stock generally votes together with the BGC Class A common stock on all matters submitted to a vote of our stockholders.

Through June 30, 2021, Cantor has distributed to its current and former partners an aggregate of 20.9 million shares of BGC Class A common stock, consisting of (i) 19.4 million April 2008 distribution rights shares, and (ii) 1.5 million February 2012 distribution rights shares. As of June 30, 2021, Cantor is still obligated to distribute to its current and former partners an aggregate of 15.8 million shares of BGC Class A common stock, consisting of 14.0 million April 2008 distribution rights shares and 1.8 million February 2012 distribution rights shares.

From time to time, we may actively continue to repurchase shares of our Class A common stock including from Cantor, Newmark, our executive officers, other employees, partners and others.

### *BGC Partners, Inc. Partnership Structure*

We are a holding company with no direct operations, and our business is operated through two operating partnerships, BGC U.S. OpCo, which holds our U.S. businesses, and BGC Global OpCo, which holds our non-U.S. businesses. The limited partnership interests of the two operating partnerships are held by us and BGC Holdings, and the limited partnership interests of BGC Holdings are currently held by LPU holders, Founding Partners, and Cantor. We hold the BGC Holdings general partnership interest and the BGC Holdings special voting limited partnership interest, which entitle us to remove and appoint the general partner of BGC Holdings, and serve as the general partner of BGC Holdings, which entitles us to control BGC Holdings. BGC Holdings, in turn, holds the BGC U.S. OpCo general partnership interest and the BGC U.S. OpCo special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC U.S. OpCo, and the BGC Global OpCo general partnership interest and the BGC Global OpCo special voting limited partnership interest, which entitle the holder thereof to remove and appoint the general partner of BGC Global OpCo, and serves as the general partner of BGC U.S. OpCo and BGC Global OpCo, all of which entitle BGC Holdings (and thereby us) to control each of BGC U.S. OpCo and BGC Global OpCo. BGC Holdings holds its BGC Global OpCo general partnership interest through a company incorporated in the Cayman Islands, BGC Global Holdings GP Limited.

As of June 30, 2021, we held directly and indirectly, through wholly-owned subsidiaries, 394.7 million BGC U.S. OpCo limited partnership units and 394.7 million BGC Global OpCo limited partnership units, representing approximately 75.3% of the outstanding limited partnership units in both BGC U.S. OpCo and BGC Global OpCo. As of that date, BGC Holdings held 129.2 million BGC U.S. OpCo limited partnership units and 129.2 million BGC Global OpCo limited partnership units, representing approximately 24.7% of the outstanding limited partnership units in both BGC U.S. OpCo and BGC Global OpCo.

LPU holders, Founding Partners, and Cantor directly hold BGC Holdings limited partnership interests. Since BGC Holdings in turn holds BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests, LPU holders, Founding Partners, and Cantor indirectly have interests in BGC U.S. OpCo limited partnership interests and BGC Global OpCo limited partnership interests. Further, in connection with the Separation and Distribution Agreement, limited partnership interests in Newmark Holdings were distributed to the holders of limited partnership interests in BGC Holdings, whereby each holder of BGC Holdings limited partnership interests who at that time held a BGC Holdings limited partnership interest received a corresponding Newmark Holdings limited partnership interest, equal in number to a BGC Holdings limited

partnership interest divided by 2.2 (i.e., 0.4545 of a unit in Newmark Holdings). Accordingly, existing partners at the time of the Separation in BGC Holdings are also partners in Newmark Holdings and hold corresponding units issued at the applicable ratio. Thus, such partners now also have an indirect interest in Newmark OpCo.

As of June 30, 2021, excluding Preferred Units and NPSUs described below, outstanding BGC Holdings partnership interests included 72.3 million LPUs, 9.8 million FPUUs and 55.1 million Cantor units.

We may in the future effect additional redemptions of BGC Holdings LPUs and FPUUs, and concurrently grant shares of BGC Class A common stock. We may also continue our earlier partnership restructuring programs, whereby we redeemed or repurchased certain LPUs and FPUUs in exchange for new units, grants of exchangeability for BGC Class A common stock or cash and, in many cases, obtained modifications or extensions of partners' employment arrangements. We also generally expect to continue to grant exchange rights with respect to outstanding non-exchangeable LPUs and FPUUs, and to repurchase BGC Holdings partnership interests from time to time, including from Cantor, our executive officers, and other employees and partners, unrelated to our partnership restructuring programs.

Cantor units in BGC Holdings are generally exchangeable under the Exchange Agreement for up to 23.6 million shares of BGC Class B common stock (or, at Cantor's option or if there are no such additional authorized but unissued shares of our Class B common stock, BGC Class A common stock) on a one-for-one basis (subject to adjustments). Upon certain circumstances, Cantor may have the right to acquire additional Cantor units in connection with the redemption of or grant of exchangeability to certain non-exchangeable BGC Holdings FPUUs owned by persons who were previously Cantor partners prior to our 2008 acquisition of the BGC business from Cantor. Cantor has exercised this right from time to time.

As of June 30, 2021, there were 1.6 million FPUUs remaining which BGC Holdings had the right to redeem or exchange and with respect to which Cantor will have the right to purchase an equivalent number of Cantor units following such redemption or exchange.

In order to facilitate partner compensation and for other corporate purposes, the BGC Holdings limited partnership agreement provides for Preferred Units, which are Working Partner units that may be awarded to holders of, or contemporaneous with the grant of, PSUs, PSIs, PSEs, LPUs, APSUs, APSIs, APSEs, REUs, RPUUs, AREUs, and ARPUUs. These Preferred Units carry the same name as the underlying unit, with the insertion of an additional "P" to designate them as Preferred Units.

Such Preferred Units may not be made exchangeable into BGC Class A common stock and accordingly will not be included in the fully diluted share count. Each quarter, the net profits of BGC Holdings are allocated to such Units at a rate of either 0.6875% (which is 2.75% per calendar year) of the allocation amount assigned to them based on their award price, or such other amount as set forth in the award documentation, before calculation and distribution of the quarterly Partnership distribution for the remaining Partnership units. The Preferred Units will not be entitled to participate in Partnership distributions other than with respect to the Preferred Distribution. As of June 30, 2021, there were 25.3 million such units granted and outstanding in BGC Holdings.

On June 5, 2015, we entered into an agreement with Cantor providing Cantor, CFGM and other Cantor affiliates entitled to hold BGC Class B common stock the right to exchange from time to time, on a one-to-one basis, subject to adjustment, up to an aggregate of 34.6 million shares of BGC Class A common stock now owned or subsequently acquired by such Cantor entities for up to an aggregate of 34.6 million shares of BGC Class B common stock. Such shares of BGC Class B common stock, which currently can be acquired upon the exchange of exchangeable LPUs owned in our Holdings, are already included in the Company's fully diluted share count and will not increase Cantor's current maximum potential voting power in the common equity. The Exchange Agreement will enable the Cantor entities to acquire the same number of shares of BGC Class B common stock that they were already entitled to acquire without having to exchange their exchangeable LPUs in our Holdings.

Under the Exchange Agreement, Cantor and CFGM have the right to exchange shares of BGC Class A common stock owned by them for the same number of shares of BGC Class B common stock. As of June 30, 2021, Cantor and CFGM do not own any shares of BGC Class A common stock. Cantor and CFGM would also have the right to exchange any shares of BGC Class A common stock subsequently acquired by either of them for shares of BGC Class B common stock, up to 23.6 million shares of BGC Class B common stock.

We and Cantor have agreed that any shares of BGC Class B common stock issued in connection with the Exchange Agreement would be deducted from the aggregate number of shares of BGC Class B common stock that may be issued to the Cantor entities upon exchange of exchangeable LPUs in BGC Holdings. Accordingly, the Cantor entities will not be entitled to receive any more shares of BGC Class B common stock under this agreement than they were previously eligible to receive upon exchange of exchangeable LPUs.

Non-distributing partnership units, or N Units, carry the same name as the underlying unit with the insertion of an additional "N" to designate them as the N Unit type and are designated as NREUs, NPREUs, NLPUs, NPLPUs and NPPSUs.

The N Units are not entitled to participate in Partnership distributions, will not be allocated any items of profit or loss and may not be made exchangeable into shares of BGC Class A common stock. Subject to the approval of the Compensation Committee or its designee, certain N Units may be converted into the underlying unit type (i.e. an NREU will be converted into an REU) and will then participate in Partnership distributions, subject to terms and conditions determined by the general partner of BGC Holdings, in its sole discretion, including that the recipient continue to provide substantial services to the Company and comply with his or her partnership obligations.

On December 13, 2017, the Amended and Restated BGC Holdings Partnership Agreement was amended and restated a second time to include prior standalone amendments and to make certain other changes related to the Separation. The Second Amended and Restated BGC Holdings Partnership Agreement, among other things, reflects changes resulting from the division in the Separation of BGC Holdings into BGC Holdings and Newmark Holdings, including:

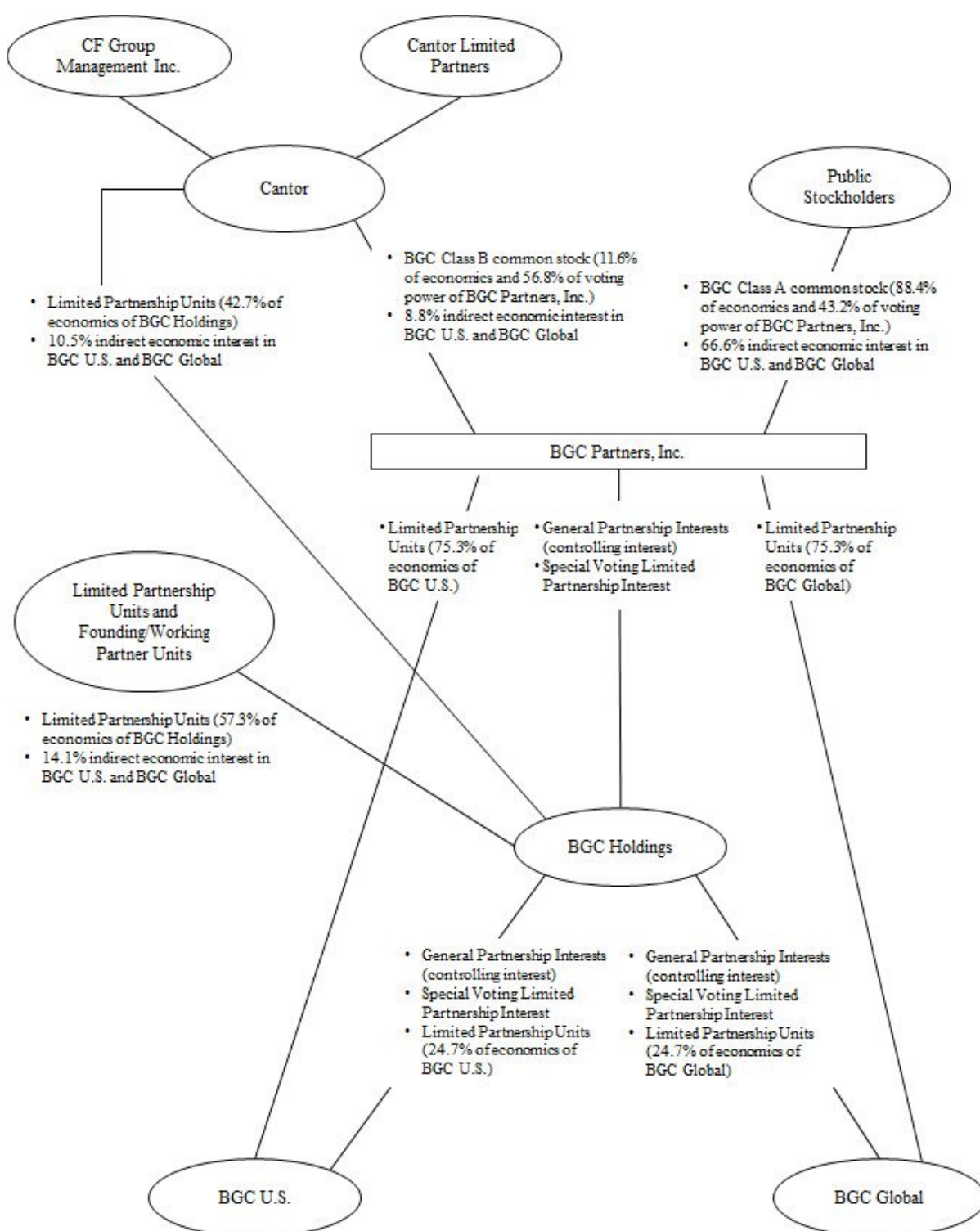
- an apportionment of the existing economic attributes (including, among others, capital accounts and post-termination payments) of each BGC Holdings LPU outstanding immediately prior to the Separation between such Legacy BGC Holdings Unit and the 0.4545 of a Newmark Holdings LPU issued in the Separation in respect of each such Legacy BGC Holdings Unit, based on the relative value of BGC and Newmark as of after the Newmark IPO; and
- a right of the employer of a partner to determine whether to grant exchangeability with respect to Legacy BGC Holdings Units held by such partner.

The Second Amended and Restated BGC Holdings Partnership Agreement also removes certain classes of BGC Holdings units that are no longer outstanding, and permits the general partner of BGC Holdings to determine the total number of authorized BGC Holdings units. The Second Amended and Restated BGC Holdings Limited Partnership Agreement was approved by the Audit Committee of the Board of Directors of the Company.

The following diagram illustrates our organizational structure as of June 30, 2021. The diagram does not reflect the various subsidiaries of BGC, BGC U.S. OpCo, BGC Global OpCo, or Cantor, or the noncontrolling interests in our consolidated subsidiaries other than Cantor's units in BGC Holdings.\*



# STRUCTURE OF BGC PARTNERS, INC. AS OF JUNE 30, 2021



\* Shares of BGC Class B common stock are convertible into shares of BGC Class A common stock at any time in the discretion of the holder on a one-for-one basis. Accordingly, if Cantor and CFGM converted all of their BGC Class B common stock into BGC Class A common stock, Cantor would hold 11.4% of the voting power, CFGM would hold 0.2% of the voting power, and the public stockholders would hold 88.4% of the voting power (and Cantor and CFGM's indirect economic interests

in BGC U.S. and BGC Global would remain unchanged). The diagram does not reflect certain BGC Class A common stock and BGC Holdings partnership units as follows: (a) any shares of BGC Class A common stock that may become issuable upon the conversion or exchange of any convertible or exchangeable debt securities that may in the future be sold under our shelf Registration Statement on Form S-3 (Registration No. 333-180331); (b) 25.3 million Preferred Units granted and outstanding to BGC Holdings partners (see “BGC Partners, Inc. Partnership Structure” herein); and (c) 45.5 million N Units granted and outstanding to BGC Holdings partners.

The diagram reflects BGC Class A common stock and BGC Holdings partnership unit activity from January 1, 2021 through June 30, 2021 as follows: (a) 17.5 million shares of BGC Class A common stock repurchased by us; (b) 8.3 million LPUs redeemed for Newmark employees and executives; (c) 6.8 million LPUs for vested N Units; (d) an aggregate of 5.7 million LPUs granted by BGC Holdings; (e) 4.7 million LPUs and FPU redeemed or repurchased by us for cash; (f) 2.7 million LPUs forfeited; (g) 1.7 million shares of BGC Class A common stock issued for vested restricted stock units; (h) 1.5 million LPUs related to prior period adjustments; (i) 0.8 million shares of Class A common stock issued by us under our acquisition shelf Registration Statement on Form S-4 (Registration No. 333-169232), but not the 5.0 million of such shares remaining available for issuance by us under such Registration Statement; and (j) 9 thousand shares issued by us under our Dividend Reinvestment and Stock Purchase Plan shelf Registration Statement on Form S-3 (Registration No. 333-173109), but not the 9.3 million of such shares remaining available for issuance by us under shelf Registration Statement on Form S-3 (Registration No. 333-196999). No shares of BGC Class A common stock were sold by us during the six months ended June 30, 2021 under the March 2018 Sales Agreement pursuant to our Registration Statement on Form S-3 (Registration No. 333-223550) (\$89.2 million of stock remains for sale by us under such sales agreement). As June 30, 2021, we have not issued any shares of BGC Class A common stock under our 2019 Form S-4 Registration Statement (Registration No. 333-233761).

#### ***Possible Corporate Conversion***

The Company continues to explore a possible conversion into a simpler corporate structure. Our board and committees have hired advisors and are reviewing the potential structure and details of such conversion. Should the Company decide to move forward with a corporate conversion, it will continue to work with regulators, lenders, and rating agencies.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### ***Credit Risk***

Credit risk arises from potential non-performance by counterparties and customers. BGC Partners has established policies and procedures to manage its exposure to credit risk. BGC Partners maintains a thorough credit approval process to limit exposure to counterparty risk and employs stringent monitoring to control the counterparty risk from its matched principal and agency businesses. BGC Partners’ account opening and counterparty approval process includes verification of key customer identification, anti-money laundering verification checks and a credit review of financial and operating data. The credit review process includes establishing an internal credit rating and any other information deemed necessary to make an informed credit decision, which may include correspondence, due diligence calls and a visit to the entity’s premises, as necessary.

Credit approval is granted subject to certain trading limits and may be subject to additional conditions, such as the receipt of collateral or other credit support. Ongoing credit monitoring procedures include reviewing periodic financial statements and publicly available information on the client and collecting data from credit rating agencies, where available, to assess the ongoing financial condition of the client.

In addition, BGC Partners incurs limited credit risk related to certain brokerage activities. The counterparty risk relates to the collectability of the outstanding brokerage fee receivables. The review process includes monitoring both the clients and the related brokerage receivables. The review includes an evaluation of the ongoing collection process and an aging analysis of the brokerage receivables.

#### ***Principal Transaction Risk***

Through its subsidiaries, BGC Partners executes matched principal transactions in which it acts as a “middleman” by serving as counterparty to both a buyer and a seller in matching back-to-back trades. These transactions are then settled through a recognized settlement system or third-party clearing organization. Settlement typically occurs within one to three business days after the trade date. Cash settlement of the transaction occurs upon receipt or delivery of the underlying instrument that was traded. BGC Partners generally avoids settlement of principal transactions on a free-of-payment basis or by physical delivery of the underlying instrument. However, free-of-payment transactions may occur on a very limited basis.



The number of matched principal trades BGC Partners executes has continued to grow as compared to prior years. Receivables from broker-dealers, clearing organizations, customers and related broker-dealers and Payables to broker-dealers, clearing organizations, customers and related broker-dealers on the Company's unaudited condensed consolidated statements of financial condition primarily represent the simultaneous purchase and sale of the securities associated with those matched principal transactions that have not settled as of their stated settlement dates. BGC Partners' experience has been that substantially all of these transactions ultimately settle at the contracted amounts.

### ***Market Risk***

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices or other factors will result in losses for a specified position. BGC Partners may allow certain of its desks to enter into unmatched principal transactions in the ordinary course of business and hold long and short inventory positions. These transactions are primarily for the purpose of facilitating clients' execution needs, adding liquidity to a market or attracting additional order flow. As a result, BGC Partners may have market risk exposure on these transactions. BGC Partners' exposure varies based on the size of its overall positions, the risk characteristics of the instruments held and the amount of time the positions are held before they are disposed of. BGC Partners has limited ability to track its exposure to market risk and unmatched positions on an intra-day basis; however, it attempts to mitigate its market risk on these positions by strict risk limits, extremely limited holding periods and hedging its exposure. These positions are intended to be held short term to facilitate customer transactions. However, due to a number of factors, including the nature of the position and access to the market on which it trades, BGC Partners may not be able to unwind the position and it may be forced to hold the position for a longer period than anticipated. All positions held longer than intra-day are marked to market.

We also have investments in marketable equity securities, which are publicly-traded, and which had a fair value of \$0.4 million as of June 30, 2021. Investments in marketable securities carry a degree of risk, as there can be no assurance that the marketable securities will not lose value and, in general, securities markets can be volatile and unpredictable. As a result of these different market risks, our holdings of marketable securities could be materially and adversely affected. We may seek to minimize the effect of price changes on a portion of our investments in marketable securities through the use of derivative contracts. However, there can be no assurance that our hedging activities will be adequate to protect us against price risks associated with our investments in marketable securities. See Note 10—"Marketable Securities" and Note 12—"Derivatives" to our unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information regarding these investments and related hedging activities.

Our risk management procedures and strict limits are designed to monitor and limit the risk of unintended loss and have been effective in the past. However, there is no assurance that these procedures and limits will be effective at limiting unanticipated losses in the future. Adverse movements in the securities positions or a downturn or disruption in the markets for these positions could result in a substantial loss. In addition, principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on BGC Partners' unaudited condensed consolidated financial condition and results of operations for any particular reporting period.

### ***Operational Risk***

Our businesses are highly dependent on our ability to process a large number of transactions across numerous and diverse markets in many currencies on a daily basis. If any of our data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including cybersecurity incidents, a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

In addition, despite our contingency plans, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with whom we conduct business.

Further, our operations rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Although we take protective measures such as software programs, firewalls and similar technology to maintain the confidentiality, integrity and availability of our and our clients' information, the nature of the threats continue to evolve. As a result, our computer systems, software and networks may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability or disruption of service, computer viruses, acts of vandalism, or other malicious code, cyber-attacks and other events that could have an adverse security

impact. There have also been an increasing number of malicious cyber incidents in recent years in various industries, including ours. Any such cyber incidents involving our computer systems and networks, or those of third parties important to our businesses, could present risks to our operations.

#### ***Foreign Currency Risk***

BGC Partners is exposed to risks associated with changes in FX rates. Changes in FX rates create volatility in the U.S. Dollar equivalent of the Company's revenues and expenses. In addition, changes in the remeasurement of BGC Partners' foreign currency denominated financial assets and liabilities are recorded as part of its results of operations and fluctuate with changes in foreign currency rates. BGC monitors the net exposure in foreign currencies on a daily basis and hedges its exposure as deemed appropriate with highly rated major financial institutions.

The majority of the Company's foreign currency exposure is related to the U.S. Dollar versus the British Pound and the Euro. While our international results of operations, as measured in U.S. Dollars, are subject to FX fluctuations, we do not consider the related risk to be material to our results of operations. For the financial assets and liabilities denominated in the British Pound and Euro, including foreign currency hedge positions related to these currencies, we evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. Dollar, holding all other assumptions constant. The analysis identified the worst case scenario as the U.S. Dollar strengthening against the Euro and weakening against the British Pound. If as of June 30, 2021, the U.S. Dollar had strengthened against the Euro and weakened against the British Pound by 10%, the currency movements would have had an aggregate negative impact on our net income of approximately \$0.9 million.

#### ***Interest Rate Risk***

BGC Partners had \$1,243.2 million in fixed-rate debt outstanding as of June 30, 2021. These debt obligations are not currently subject to fluctuations in interest rates, although in the event of refinancing or issuance of new debt, such debt could be subject to changes in interest rates. In addition, as of June 30, 2021, BGC Partners had \$188.7 million of net borrowings outstanding under its Revolving Credit Agreement. The interest rate on any borrowings under its Revolving Credit Agreement is based on LIBOR.

#### ***Disaster Recovery***

Our processes address disaster recovery concerns. We operate most of our technology from U.S. and U.K. primary data centers. Either site alone is typically capable of running all of our essential systems. Replicated instances of this technology are maintained in our redundant data centers. Our data centers are generally built and equipped to best-practice standards of physical security with appropriate environmental monitoring and safeguards. Failover for the majority of our systems is automated.

The economic and financial disruptions from the COVID-19 outbreak, as well as measures taken by various governmental authorities in response to the outbreak, have led us to implement operational changes as we have executed our business continuity plan. We have taken significant steps to protect our employees. A majority of BGC staff members are working from home, or other remote locations and disaster recovery venues, and we restricted business travel. We are also dependent on third-party vendors for the performance of certain critical processes and such vendors are also operating under business continuity plans.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

BGC Partners maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by BGC Partners is recorded, processed, accumulated, summarized and communicated to its management, including its Chairman of the Board and Chief Executive Officer and its Chief Financial Officer, to allow timely decisions regarding required disclosures, and reported within the time periods specified in the SEC's rules and forms. The Chairman of the Board and Chief Executive Officer and the Chief Financial Officer have performed an evaluation of the effectiveness of the design and operation of BGC Partners disclosure controls and procedures as of June 30, 2021. Based on that evaluation, as a result of the material weakness in internal control over financial reporting described below, the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer concluded that BGC Partners' disclosure controls and procedures were not effective as of June 30, 2021.

#### **Internal Control over Financial Reporting**

##### ***Material Weakness Identified***

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

As previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2020, management identified the following control deficiencies that in combination constituted a material weakness in our internal control over financial reporting as of December 31, 2020:

- We did not design an effective control over wire payments in the U.K. to vendors, including taxing authorities. Specifically, we did not require independent validation of vendor banking details for wire payments where vendors had requested remittance be made to a different account than the one recorded within the vendor master listing.
- We did not operate an effective control in the U.K. to validate bank information to the vendor master listing when effecting wire payments.
- We did not design an effective control over the reconciliation of receipts and disbursements for certain U.K. partnerships in relation to partner related payments.

#### ***Remediation of Material Weakness***

Our management, with the oversight of the Audit Committee of our Board of Directors, has taken immediate action to initiate a plan to remediate the material weakness previously identified and disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2020. The below remediation measures are designed to remediate the control deficiencies and enhance our overall internal control environment:

- Wire payments are not permitted to be made to vendor bank accounts other than from the master listing.
- Changes to bank details within the vendor master listing can only be made once an independent validation has been performed.
- Prior to the release of wire payments, the payee bank details are required to be validated to the vendor master listing by an independent department.
- A reconciliation of disbursements and payments to taxing authorities has been implemented with respect to certain U.K. partnerships.

We are committed to continuing to improve our internal control over financial reporting, have implemented the measures described above, and are in the process of evaluating their design and operating effectiveness. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address the control deficiencies described above, or we may modify certain of the remediation measures described above.

We believe the measures described above will fully remediate the material weakness identified and strengthen our internal control over financial reporting. We will not consider our material weakness to be fully remediated until the applicable changes in internal control operate for a sufficient period of time, and management has concluded, through testing, that these controls are operating effectively.

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

During the three months ended June 30, 2021, there were no changes in our internal control over financial reporting, other than the remediation measures implemented as described above, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The information required by this Item is set forth in Note 20—“Commitments, Contingencies and Guarantees” to the Company’s unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and under the heading “Derivative Suit” included in Part I, Item 2 of this Quarterly Report on Form 10-Q, Management’s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated by reference herein.

### **ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors previously disclosed under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 1, 2021.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The information required by this Item is set forth in Note 6— “Stock Transactions and Unit Redemptions” to the unaudited condensed consolidated financial statements included in of Part I, Item 1 of this Quarterly Report on Form 10-Q and in Part I, Item 2 of this Quarterly Report on Form 10-Q, Management’s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated by reference herein.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

### **ITEM 5. OTHER INFORMATION**

The information required by this Item is set forth under the heading "Liquidity and Capital Resources" included in Part I, Item 2 of this Quarterly Report on Form 10-Q, Management's Discussion and Analysis of Financial Condition and Results of Operations, and is incorporated by reference herein.

**ITEM 6. EXHIBITS**

The exhibit index set forth below is incorporated by reference in response to this ITEM 6.

<b>Exhibit Number</b>	<b>Exhibit Title</b>
2.1	<a href="#"><u>Agreement for the Sale and Purchase of the Share Capital of Ed Broking Group Limited and Besso Insurance Group Limited, Dated May 26, 2021, by and Among Tower Bridge (One) Limited, Ardonagh Specialty Holdings 2 Limited, The Ardonagh Group Limited and BGC Partners, Inc.</u></a>
31.1	<a href="#"><u>Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32	<a href="#"><u>Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101	The following materials from BGC Partners' Quarterly Report on Form 10-Q for the period ended June 30, 2021 are formatted in inline eXtensible Business Reporting Language (iXBRL): (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, (v) the Unaudited Condensed Consolidated Statements of Changes in Equity, and (vi) Notes to the Unaudited Condensed Consolidated Financial Statements. The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the iXBRL document.
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL (included in Exhibit 101).

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarter ended June 30, 2021 to be signed on its behalf by the undersigned thereunto duly authorized.

BGC Partners, Inc.

/ S / HOWARD W. LUTNICK

Name:

**Howard W. Lutnick**

Title:

**Chairman of the Board and  
Chief Executive Officer**

/ S / STEVEN BISGAY

Name:

**Steven Bisgay**

Title:

**Chief Financial Officer**

Date: August 6, 2021

[Signature page to the Quarterly Report on Form 10-Q for the period ended June 30, 2021 dated August 6, 2021.]

**DATED** 26 May **2021**

**TOWER  
BRIDGE (ONE) LIMITED**  
as Seller

**ARDONAGH SPECIALTY HOLDINGS 2 LIMITED**  
as Buyer

**THE ARDONAGH GROUP LIMITED**  
as Buyer Guarantor

**BGC PARTNERS, INC.**  
as Seller Guarantor

**AGREEMENT**  
for the sale and purchase of the share capital of Ed Broking Group Limited and Besso Insurance Group Limited

**Bryan Cave Leighton Paisner LLP**  
Governor's House 5 Laurence Pountney Hill London EC1R  
DBR  
Tel: +44 (0)20 3400 1000 Fax: +44 (0)20 3400 1111



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**DATED** 26 May 2021

## **PARTIES**

- (1) **Tower Bridge (One) Limited**, a company incorporated in England and Wales with registered number 09648879 whose registered office is at 5 Churchill Place, Canary Wharf, London, United Kingdom, E14 5RD (the "**Seller**")
- (2) **BGC Partners, Inc.**, of 499 Park Avenue, New York, NY 10022 ("**BGC Partners**" or the "**Seller Guarantor**")
- (3) **Ardonagh Specialty Holdings 2 Limited**, a company incorporated in England and Wales with registered number 13386212 whose registered office is at 2 Minster Court, Mincing Lane, London, England, EC3R 7PD (the "**Buyer**")
- (4) **The Ardonagh Group Limited**, a private limited company, organised under the laws of the Bailiwick of Jersey under the number 117710 whose registered office is at 3<sup>rd</sup> Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG (the "**Buyer Guarantor**")

## **BACKGROUND**

- (A) The Seller has agreed to sell (and procure that the BIGL Seller sells) and the Buyer has agreed to buy the Shares on the terms and subject to the conditions of this Agreement and the other Transaction Documents (as defined below).
- (B) The Buyer Guarantor has agreed to guarantee the performance of the obligations of the Buyer under this Agreement and the other Transaction Documents.
- (C) The Seller Guarantor has agreed to guarantee the performance of the obligations of the Seller under this Agreement.

## **OPERATIVE PROVISIONS**

### **1 DEFINITIONS AND INTERPRETATION**

#### **1.1 In this Agreement:**

**1 "Affiliate"** means, in relation to the Seller and the BIGL Seller, BGC Partners (or any successor to BGC Partners from time to time) and Subsidiaries of BGC Partners and in respect of any other party to this Agreement, any company, person, partnership or entity controlled by or controlling or in common control with that party. A person, company, partnership or entity shall be deemed to control another person, company, partnership or entity if the former person, company, partnership or entity possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other person, company, partnership or entity whether through ownership of voting securities or partnership interests, representation on its board of directors or similar governing body, by contract or otherwise.

**"Authority"** means a supra-national, national, state, municipal or local authority (including any court, Tax Authority, subdivision, administrative agency or commission), or any arbitral tribunal or quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority in any jurisdiction, including the European Union.

**"Banking Condition"** means the condition referred to at Clause 4.1(a).

**"Besso Insurance"** means Besso Insurance Group Limited, a company incorporated in England and Wales, further details of which are set out in Schedule 1 (Details of the Group *Companies*).

**"Besso Insurance Majority Interest Shares"** means (i) 4,823,268 ordinary shares (fully paid) of £0.02 each, 452,789 preferred ordinary shares of £0.02 each and 868,686 voting shares of £0.02 each in the capital of Besso Insurance; and (ii) any shares in the capital of Besso Insurance issued in connection with the Seller Restructuring.

**"Besso Insurance Minority Interest Shares"** means 953,473 partly paid ordinary shares of £0.02 in the capital of Besso Insurance.

**"Besso Insurance Shares"** means the Besso Insurance Majority Interest Shares and the Besso Insurance Minority Interest Shares, together making up the entire issued share capital of Besso Insurance.

**"Besso Warranty Deed"** means the amended and restated Warranty Deed in relation to Besso Partners Limited between the Seller (as purchaser) and various sellers dated 28 February 2018 as previously assigned to the Seller by way of a deed of assignment between BGC Partners, the Seller and various sellers dated 3 January 2017.

**2 "BGC Facility Agreement"** means the credit agreement entered into by BGC Partners, the BGC Lenders and Bank of America, N.A. (as Administrative Agent) (amongst others) dated 28 November 2018, as amended and restated by an amendment and restatement agreement dated 26 February 2020 between BGC Partners, the BGC Lenders and Bank of America, N.A. (as Administrative Agent) (amongst others).

**3 "BGC Lenders"** means the lenders as defined in the BGC Facility Agreement.

**"BIGL Seller"** means Besso Partners Limited, a company incorporated in England and Wales with registered number 07735300 whose registered office is at 5 Churchill Place, Canary Wharf, London, United Kingdom, E14 5RD.

**4 "BMA"** means the Bermuda Monetary Authority.

**5 "Brazilian Loan Agreement"** means the loan agreements between Ed Broking Holdings (London) Limited (as lender) and Som.US do Brasil Corretora de Resseguros Ltda (as borrower) (amongst others) in respect of a \$1,330,000 facility dated 5 April 2017 (as amended and restated by an acknowledgement of debt between the aforementioned parties dated 25 September 2019) and the provision of security by the borrower to the lender in respect of such financing.

**6 "Business Day"** means:

- (a) for receiving a notice under Clause 29 (*Communications*), a day (other than a Saturday or Sunday) on which the clearing banks are open for business in the place where the notice is received; and
- (b) for all other purposes, a day (other than a Saturday or Sunday) on which the clearing banks in the City of London and New York are open for business.

**7 "Buyer Announcement"** means the announcement to be issued by the Buyer on the date of this Agreement in the agreed form.

**8 "Buyer's Group"** means the Buyer and any Affiliate of it from time to time (including from Completion each Group Company).

**9 "Buyer's Solicitors"** means Herbert Smith Freehills LLP of Exchange House, Primrose St, London EC2A 2EG.

**10 "Cash"** has the meaning given to it in Part A of Schedule 3.

**"Cash Advance Distributions"** means a cash loan agreement between a Group Company and an employee.

**"Cash Awards"** means the cash awards granted to be granted by the Seller to certain employees of a Group Company as set out in the Cash Awards Schedule.

**"Cash Awards Letter"** means a letter to be sent to certain employees of the Group in relation to the Cash Awards prior to Completion.

**"Cash Awards Schedule"** means a schedule (an indicative draft of which is in agreed form) setting out details of all Cash Awards granted by the Seller to employees of any Group Company, including details of (i) the Cash Awards to be settled shortly following Completion, and (ii) the Cash Awards which will be outstanding as at the date of Completion and paid approximately two years thereafter, such schedule to include but not be limited to the names of such employees, the value of the outstanding Cash Award for each employee and the proposed vesting and payment schedule in relation to such Cash Awards.

**"Change of Control Leases"** means (i) the Dubai Lease dated 26 March 2019 and entered into by Besso Re (Middle East) Limited, (ii) the Sydney Lease dated 1 January 2017 and entered into by Epsilon Insurance Broking Services Pty Ltd, and (iii) Brisbane Lease dated 21 December 2017 (and varied on 18 February 2021) and entered into by Epsilon Insurance Broking Services Pty Ltd.

**11 "CIMA"** means the Cayman Islands Monetary Authority.

**"Claim"** means any claim in connection with this Agreement save for a Warranty Claim or an Indemnity Claim.

**"Companies"** means Ed Broking and Besso Insurance, in each case whose details are set out in Schedule 1 (*Details of the Group Companies*) and **"Company"** means any of them.

**12 "Completion"** means completion of the purchase of the Shares in accordance with Clause 6 (*Exchange and Completion*).

**13 "Completion Date"** has the meaning given in Clause 6.2.

**14 "Conditions"** means the conditions of Completion as specified in Clause 4.1.

**15 "Confidential Information"** means the Transaction Documents and any information which a party may have or acquire as a result of negotiating, entering into or performing its obligations pursuant to this Agreement, relating to:

- (a) the existence and contents of this Agreement and the other Transaction Documents; or
- (b) the business, finances, assets, liabilities, customers, suppliers, personnel, plans or intentions, market opportunities, operations, processes, product information, dealings, transactions, know-how, or affairs of any member of



the Buyer's Group (in the case of the Seller) or the Seller's Group (in the case of the Buyer).

**16 "Consideration"** has the meaning given in Clause 3.1.

**"Costs"** means reasonably incurred costs, charges and expenses.

**17 "Debt"** has the meaning given to it in Part A of Schedule 3.

**"Deed of Indemnity"** means the Deed of Indemnity entered into between the Buyer and the Seller on the date of this Agreement in relation to certain outstanding litigation involving the Group.

**"Data Room"** means the electronic data room hosted by Datasite LLC in relation to or in connection with the Transaction.

**18 "DFSA"** means the Dubai Financial Services Authority.

**19 "Ed Broking"** means Ed Broking Group Limited, a company incorporated in England and Wales, further details of which are set out in Schedule 1 (Details of the Group *Companies*).

**20 "Ed Broking Shares"** means the total of (i) 10,730,457 deferred shares of £0.01 each, 35,911,810 D growth shares of £0.001 each and 328,068,283 non-redeemable voting ordinary shares of £0.01 each in the capital of Ed Broking, making up the entire issued share capital of Ed Broking as of the date of this Agreement, and (ii) any shares in the capital of Ed Broking issued in connection with the Seller Restructuring.

**"Ed Indemnity"** means an indemnity entered into between Ed Broking Group Limited and the Seller Guarantor dated 11 May 2021;

**"Effective Time"** has the meaning given in Schedule 3.

**21 "Employees"** means the employees of the Group from time to time (and **"Employee"** means any one of them).

**22 "Encumbrance"** means a mortgage, fixed or floating charge, pledge, lien, assignment, option, restriction, claim, right of pre-emption, right of first refusal, reservation of title, third party right or interest or other encumbrance or security interest of any kind, or any other type of agreement or arrangement howsoever created or arising having a similar effect, or any agreement or arrangement to create any of the foregoing.

**23 "Enterprise Value"** means USD\$500,000,000.

**24 "Estimated Cash"** means the Seller's good faith estimate of the Cash as determined by reference to the Estimated Completion Accounts.

**25 "Estimated Completion Accounts"** means the Seller's good faith estimate of the consolidated balance sheet of the Group as at the Effective Time prepared in accordance with the Accounting Policies and in the form of the Pro-Forma Balance Sheet in Schedule 3, which for the avoidance of doubt is not required to be audited nor prepared to an audit standard.

**26 "Estimated Completion Statement"** means the statement setting out the Seller's estimates of the Estimated Cash, Estimated Debt and Estimated Working Capital, as determined in accordance with the Estimated Completion Accounts (as

applicable), together with the resulting calculation of the Estimated Consideration, in the form set out in the Pro-Forma Completion Statement in Schedule 3.

**27 "Estimated Consideration"** means the sum of:

- (a) the Enterprise Value;
- (b) plus an amount equal to the Estimated Cash;
- (c) minus an amount equal to the Estimated Debt; and
- (d) plus the amount by which the Estimated Working Capital exceeds the Target Working Capital, or minus the amount by which the Estimated Working Capital is less than the Target Working Capital,

in each case determined by reference to the Estimated Completion Accounts (as applicable).

**"Estimated Debt"** means the Seller's good faith estimate of the Debt as determined by reference to the Estimated Completion Accounts.

**28 "Estimated Working Capital"** means the Seller's good faith estimate of the Working Capital as determined by reference to the Estimated Completion Accounts.

**29 "FCA"** means the Financial Conduct Authority.

**30 "Final Long Stop Date"** means 1 March 2022.

**31 "Full Title Guarantee"** means with the benefit of the implied covenants set out in Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 when a disposition is expressed to be made with full title guarantee.

**32 "FSMA"** means the Financial Services and Markets Act 2000.

**33 "JFSC"** means the Jersey Financial Services Commission.

**34 "GFSC"** means the Guernsey Financial Services Commission.

**35 "Group"** means the Companies and each of their Subsidiaries and subsidiary undertakings and **"Group Company"** means any one of them.

**36 "Hong Kong Loan Agreement"** means the loan agreement between Latitude Brokers Limited (as borrower) and Cooper Gay (Holdings) Limited (now Ed Broking Holdings (London) Limited) (as lender) dated 8 October 2015.

**37 "Hong Kong Disposal Agreement"** means the asset purchase agreement between Ed Broking (Hong Kong) Limited and Grandwood Insurance Brokers Ltd dated 26 December 2019.

**38 "Indemnity Claim"** means a claim pursuant to Clause 8 (*Seller Indemnities*).

**"Intellectual Property"** means all inventions (whether patentable or not), patents, registered designs, design rights, database rights, copyright, moral rights, semiconductor topography rights, domain names, trade and service marks, logos, get-up and trade names, in each case whether registered or not (including any application for registration), and the goodwill attaching to any of the foregoing,

know how, and any rights or forms of protection of a similar nature and having equivalent or similar effect to any of them which subsist anywhere in the world.

**39 "Indemnified Losses"** means Costs relating to the Indemnified Matter and any damages, judgment and sums determined by a judicial authority or agreed to be paid to a third party in relation to the Indemnified Matter.

**40 "Indemnified Matter"** means the claim brought against Besso Limited case number CL-2018-000598, in the High Court of Justice of England and Wales.

**41 "Laws"** all laws, regulations, directives, statutes, subordinate legislation, common law and civil codes of any jurisdiction, all judgments, orders, notices, instructions, decisions and awards of any court or competent authority or tribunal exercising statutory or delegated powers and all codes of practice having force of law.

**42 "Leakage"** means:

- (a) any payment of principal of, or interest on, any loan, or any dividend or distribution declared, paid or made (in each case whether actual or deemed) or any repurchase, redemption or return of capital made by any Group Company to the Seller or any Seller Related Person;
- (b) any payment (including without limitation, management fees, consulting fees, monitoring fees, directors' fees, licence fees or royalties) made or asset transferred, to or for the benefit of the Seller or any Seller Related Person by any Group Company;
- (c) any liabilities (actual or contingent) assumed, indemnified or incurred by any Group Company for the benefit of the Seller or any Seller Related Person;
- (d) any advisers' fees borne by any Group Company in relation to the Transaction;
- (e) any bonuses paid or agreed to be paid to the Seller or any Seller Related Person or to any spouse or family member of any Seller Related Person, or to any trust to which any such person is the beneficiary, or to any Employee in connection with Completion;
- (f) the forgiving or waiver (whether conditional or not) by any Group Company of any amount or obligation owed (whether or not due for payment or performance) to it by the Seller or any Seller Related Person;
- (g) the payment by any Group Company or the liability of any Group Company to pay any Tax in connection with any of the matters referred to above,
- (h) any agreement or arrangement for any of the matters set out in paragraph (a) to paragraph (g) above to occur,

but excluding anything (in each case) which constitutes Permitted Leakage;

**43 "List of Shareholders"** means the list of shareholders provided by Ed Broking LLP to TIRA in connection with its Foreign Reinsurance Broker Accreditation.

**44 "Long Stop Date"** means the date that is five calendar months following the date that all of the Regulatory Applications have been submitted by the Buyer to

the Regulatory Authorities pursuant to Clause 4.2, as notified by the Buyer to the Seller (or such later date as may be notified by the Seller to the Buyer pursuant to Clause 4.12 or Clause 4.13 or otherwise agreed between the parties).

**45 "Losses"** means all claims, demands, actions, awards, judgments, settlements, costs, expenses, liabilities, damages and losses (including all interest, fines, penalties, management time and legal and other professional costs and expenses).

**46 "MAC Condition"** means the Condition set out in Clause 4.1(k).

**47 "Management Warrantors"** means Stephen Patrick Hearn and Andrew David Wallin.

**48 "Management Warranty Deed"** means the warranty deed to be entered into between the Management Warrantors and the Buyer in connection with this Agreement.

**49 "MAS"** means the Monetary Authority of Singapore.

**50 "Material Adverse Change"** means:

- (a) except as disclosed by the Sellers to the Buyer prior to the date of this Agreement, any Regulatory Authority at any time prior to Completion initiating or having initiated any investigation, enforcement or other similar action (excluding, for the avoidance of doubt, ordinary course day to day supervisory communications and actions) in respect of any Group Company or senior individual employed or engaged (whether directly or indirectly) by any Group Company, where such action may result in the suspension, cancellation or withdrawal of an existing material regulatory authorisation, permission or license of any Regulated Entity which is in place at the date of this Agreement ("**Regulatory Action**"); or
- (b) any warranty given by the Management Warrantors pursuant to paragraph 17 (*Regulatory and Compliance*) of the Management Warranty Deed being at the date of this Agreement, or since such date becoming, untrue or misleading (disregarding any knowledge qualification applicable to such warranty) ("**Regulatory Warranty Breach**"),

which alone or together with any other Regulatory Actions or Regulatory Warranty Breaches,

- (i) has reduced, or is highly likely to reduce, annual revenues of the Group by more than 35 per cent. (in any 12 month period falling not more than three years and six months following Completion or, if earlier, falling not more than two years following the conclusion of the last to be concluded relevant investigation, enforcement or other similar action, as compared to the previous 12 month period); or
- (ii) has resulted, or is highly likely to result in the three years and six months period following Completion, in one or more fines or orders to pay being imposed on one or more Group Companies or senior individuals employed or engaged (whether directly or indirectly) by any Group Company, in an aggregate amount of not less than £45,000,000.

**51 "Minority JV "** means the entities set out in Part 3 of Schedule 1.

**52 "Minority JV Shares"** means the shares which are held by a Group Company or a Minority JV in each Minority JV.

**53 "Non-Disclosure Agreement"** means the non-disclosure agreement entered into by the Ardonagh Group Limited and BGC Partners dated 24 January 2021.

**"Outstanding Receivables"** means all sums which are owed to any member of the Group as of the date of this Agreement pursuant to any of: (i) the Palm Insurance Loan Agreement; (ii) the Brazilian Loan Agreements; (iii) the Hong Kong Loan Agreement; or (iv) the Hong Kong Disposal Agreement.

**54 "Original Indemnity"** the indemnity in favour of the Seller at clause 3.1.3 of the Besso Warranty Deed.

**55 "Palm Insurance Loan Agreement"** means the loan agreement dated 26 October 2016 between Ed Broking LLP and Palm Insurance Canada Inc.

**56 "Permitted Leakage"** means:

- (a) any payments made by a Group Company to the Seller or any Seller Related Person in the ordinary course of business as required pursuant to an agreement or arrangement in place at the date of this Agreement, which has been disclosed in writing to the Buyer prior to the date of this Agreement;
- (b) any payment of salary, bonus or directors' fees and payments of expenses made by a Group Company to any Seller Related Person made in the ordinary course of business, pursuant to employment agreements in place at the date of this Agreement which have been disclosed in writing to the Buyer prior to the date of this Agreement;
- (c) payments made or accruals in respect of payments to be made or liabilities otherwise incurred to the extent that any such payment, accrual or liability has been or will be reimbursed to any Group Company prior to Completion;
- (d) payments, accruals, assumptions, indemnifications, the incurrence of any other liabilities by or on behalf of any Company or any other action to which the Buyer has given its consent in writing (and has confirmed in writing that such amount is Permitted Leakage) or is required pursuant to the terms of this agreement or any other Transaction Document;
- (e) payments by any Group Company to any member of the Seller's tax group, and any reduction or offset of amounts owed by any member of the Seller's tax group to or on behalf of a Group Company, in respect of any VAT group of which that Group Company and the relevant member of the Seller's tax group are both members, or any agreement for the same to the extent such payment, reduction or offset relates to a VAT liability which has arisen from the activities of a Group Company;
- (f) payments by any Group Company to any member of the Seller's tax group in respect of any member of the Seller's tax group's surrender of any group relief to a Group Company or any similar payment by a Group Company to a member of the Seller's tax group, or any agreement for the same to the extent in each case, the Buyer or a member of the Buyer's Group has given its consent in writing that such payment is Permitted Leakage (such consent not to be unreasonably withheld or delayed);

(g) any other Leakage to the extent provided for in the Completion Accounts.

**57 "Regulated Entity"** shall have the same meaning as set out in the Management Warranty Deed.

**58 "Regulatory Applications"** means all applications, submissions, notifications and/or filings with the relevant Regulatory Authorities required for the satisfaction of the Regulatory Conditions.

**59 "Regulatory Authority"** means any international, national or local legislative body, court, administrative body, regulatory body, other governmental or quasi-governmental entity with competent jurisdiction over financial industry regulation, and for the avoidance of doubt includes each of the FCA, Office of Fair Trading, Lloyd's and any of their respective successors, regulatory authorities or competent bodies.

**60 "Regulatory Conditions"** means the Conditions set out in Clauses 4.1(b) to 4.1(j) (all inclusive).

**"Regulatory Information Summary"** means a summary of information relating to the Seller and the Group containing information relevant to the preparation of the Regulatory Applications by the Buyer in the agreed form.

**"Seller Announcement"** means the announcement to be issued by the Seller on the date of this Agreement in the agreed form.

**"Seller Parties"** means the Seller, the BIGL Seller and the Seller Guarantor.

**"Seller Related Person"** means each member of the Seller's Group and any of their respective directors, officers or employees.

**61 "Seller Restructuring"** means (i) the issuance of shares in the capital of Besso Insurance or Ed Broking to any member of the Seller's Group, and (ii) the issuance of shares in the capital of a Group Company to another Group Company, in each case in connection with the capitalisation of any debt owed by any Group Company to any member of the Seller's Group or by any Group Company to another Group Company, and carried out prior to Completion in accordance with applicable Law.

**"Seller's Group"** means the Seller, the BIGL Seller and any Affiliate of either of them from time to time (excluding, from Completion, any Group Company).

**62 "Seller's Solicitors"** means Bryan Cave Leighton Paisner LLP, Governor's House, 5 Laurence Pountney Hill, London EC4R 0BR.

**63 "Seller's Solicitors Account"** means the account of the Seller's Solicitors with Barclays Bank PLC, sort code: 20-65-82, account number: 50089753, account name: Bryan Cave Leighton Paisner LLP, reference: 2041984.6.

**64 "Seller's VAT Group"** means the group of companies registered as a group pursuant to Section 43 of VATA 1994 under VAT registration number GB577406809 of which Tower Bridge GP Limited is the representative member (the **"Representative Member"**).

**65 "Shares"** means the Ed Broking Shares and the Besso Insurance Shares.

**66 "Subsidiaries"** means, as of the relevant date of determination, with respect to any person, any other person of which 50% or more of the voting power of the

outstanding voting equity securities (which, for the avoidance of doubt, shall include a general partner interest) or 50% or more of the outstanding economic equity interest is held, directly or indirectly, by such person.

**67 "Surviving Provisions"** means Clause 1 (*Definitions and interpretation*), Clause 15 (*Announcements and Confidentiality*), Clause 16 (*Assignment*), Clause 20 (*Costs*), Clause 21 (*Termination*), Clause 22 (*Payments*), Clause 25 (*Third party rights*), Clause 26 (*Waiver*), Clause 27 (*Variations*), Clause 28 (*Invalidity*), Clause 29 (*Communications*) and Clause 31 (*Governing Law and Jurisdiction*).

**68 "Target Working Capital"** has the meaning given to it in Part A of Schedule 3.

**69 "Tax" or "Taxation"** means:

- (a) all forms of direct and indirect tax, duty, rate, levy, charge or other imposition whenever and by whatever authority imposed and whether of the United Kingdom or elsewhere, including any tax on gross or net income profit or gains, corporation tax, advance corporation tax, capital gains tax, capital transfer tax, inheritance tax, wealth taxes, value added tax, customs duties, excise duties, rates (including the uniform business rate), transfer taxes (including stamp duties, real estate transfer taxes, registration fees and other taxes of a similar nature), capital duty, payroll taxes, national insurance and other similar social security contributions and any other taxes, duties, rates, levies, charges or imposts corresponding to, similar to, in the nature of, replaced by or replacing any of them, and any liability to make a payment by way of reimbursement, recharge, indemnity or damages connected in any way with any taxation and regardless of whether any such taxes, duties, rates, levies, charges, imposts are chargeable directly or primarily against or attributable directly or primarily to any of the Group Companies or any other person and of whether any amount in respect of any of them is recoverable from any other person; and
- (b) all charges, interest, penalties and fines incidental or relating to any Taxation falling within paragraph (a) above,

**70** regardless of how such amounts are collected, whether by direct assessment by any relevant Tax Authority, self-assessment, imposed indirectly, being required to deduct or withhold from or account for in respect of any payment, issue and pursuit of any civil proceedings or otherwise.

**"Tax Authority"** means any local, municipal, governmental, state, federal or other fiscal, customs or excise authority, body or official anywhere in the world with responsibility for, and competent to impose, collect or administer, any form of Taxation.

**"TDI"** means the Texas Department of Insurance.

**71 "TIRA"** means the Tanzania Insurance Regulatory Authority.

**72 "Transaction"** means the transaction contemplated by this Agreement (or any part of that transaction).

**73 "Transaction Documents"** means this Agreement, the Non-Disclosure Agreement, the Deed of Indemnity, and the documents entered into pursuant to this Agreement including the documents in the agreed form.

**74 "VAT"** means:

- (a) value added tax as referred to in Value Added Tax Act 1994 and any tax of a similar nature whether imposed in substitution for or levied in addition to such tax;
- (b) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (c) any other tax of a similar nature, whether imposed in the United Kingdom or in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraphs (a) or (b) above, or imposed elsewhere.

**75 "W&I Policy"** means the Buyer's warranty and indemnity insurance policy relating to the Transaction.

**76 "Warranties"** means the warranties contained in Schedule 5 (*Seller Warranties*).

**77 "Warranty Claim"** means a claim under or in connection with the Warranties.

**78 "Working Capital"** has the meaning given to it in Part A of Schedule 3.

1.2 In this Agreement, unless otherwise stated:

- (a) reference to this Agreement is to this agreement as varied, supplemented, novated or replaced from time to time;
- (b) reference to a document or a provision of a document is to that document or provision as varied, supplemented, novated or replaced from time to time;
- (c) reference to a document being in "**agreed form**" is to that document in the form approved and for identification purposes signed or initialled by or on behalf of the Buyer and the Seller or otherwise agreed in writing (including by email) by them or on their behalf by their respective solicitors;
- (d) reference to a statute or statutory provision includes a reference to:
  - (i) any statutory amendment, consolidation or re-enactment of it to the extent in force at the date of this Agreement;
  - (ii) all orders, regulations, instruments or other subordinate legislation (as defined in section 21(1) of the Interpretation Act 1978) made under it to the extent in force at the date of this Agreement; and
  - (iii) any statute or statutory provision of which it is an amendment, consolidation or re-enactment;
- (e) reference to a party is to a party to this Agreement and includes a reference to that party's successors and permitted assignees;



- (f) reference to a "**person**" includes a legal or natural person, partnership, association, trust, company, corporation, joint venture, government, state or agency of the state or other body;
- (g) reference to a governmental, regulatory or administrative authority or other agency or body that ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed, means the agency or body which performs most closely the functions of that authority, agency or body;
- (h) a Clause or Schedule is to a Clause of or Schedule to, this Agreement and any reference to this Agreement includes its Schedules;
- (i) the terms "**financial year**", "**holding company**", "**parent undertaking**", "**subsidiary undertaking**" and "**undertaking**" (and, unless the context otherwise requires, other terms used in this Agreement that are defined in the Companies Act 2006) shall be interpreted in accordance with the Companies Act 2006;
- (j) the term "**connected person**" has the meaning given to it in section 1122 Corporation Tax Act 2010 and any references to persons being "**connected**" shall have a corresponding meaning; and
- (k) reference to the time of day is to the time in London.

1.3 In this Agreement the interpretation of general words shall not be restricted by words indicating a particular class or particular examples and "**including**" means "including without limitation".

1.4 To determine whether a monetary limit or threshold set out in this Agreement has been reached or exceeded, any amounts not stated in pounds sterling shall be converted into pounds sterling at the Exchange Rate on the relevant date. The relevant date is:

- (a) when determining whether a limit or threshold in a warranty has been reached or exceeded, the date at which the Warranty is given;
- (b) when determining whether a threshold in Schedule 6 (*Seller protection provisions*) has been exceeded, the date a Claim is notified; and
- (c) when determining whether a threshold in Schedule 2 (*Reserved Matters*) has been exceeded, the date the relevant transaction was entered into or undertaken (as the case may be) in the relevant period.

## 2 **SALE AND PURCHASE**

2.1 On and subject to the terms of this Agreement:

- (a) the Seller agrees to sell to the Buyer the Ed Broking Shares and the Besso Insurance Majority Interest Shares; and
- (b) the Seller agrees to procure that the BIGL Seller will sell to the Buyer the Besso Insurance Minority Interest Shares,

in each case, with Full Title Guarantee and free from any Encumbrance and the Buyer agrees to buy the Shares, with all rights attaching to them at the date of this Agreement or subsequently becoming attached to them, with effect from Completion.

- 2.2 The Seller waives and agrees to procure the waiver of any restrictions on transfer, including pre-emption rights and any requirements for the redemption or conversion of share capital which may exist in relation to the Shares, under the articles of association of the Companies, any shareholders' agreement or otherwise.
- 2.3 The Buyer and the Seller are not obliged to complete the sale and purchase of any of the Shares unless the sale and purchase of all of the Shares is completed simultaneously.

### 3 **CONSIDERATION**

- 3.1 Subject to adjustment in accordance with the provisions of this Agreement, including any adjustments in accordance with Clause 11.4(a), Clause 6.5(b), Clause 6.5(f), Clause 22, Schedule 3, or the Deed of Indemnity, the consideration for the sale of the Shares (the "**Consideration**") shall be:
- (a) the payment at Completion by the Buyer to the Seller of the Estimated Consideration, payable in accordance with Clause 6.3 and Schedule 4; and
  - (b) plus payment of any Excess or less payment of any Deficit in accordance with Part A of Schedule 3.
- 3.2 At least 10 Business Days prior to the date of Completion, the Seller shall prepare and deliver to the Buyer in good faith the Estimated Completion Accounts and the Estimated Completion Statement. The Seller shall discuss any comments and proposed adjustments by the Buyer in relation to the Estimated Completion Accounts and the Estimated Completion Statement in good faith, provided that no amendments shall be made to the Estimated Completion Accounts and the Estimated Completion Statement without the agreement of the Buyer and the Seller; and in the absence of such agreement the calculations contained in the Estimated Completion Accounts and the Estimated Completion Statement provided by the Seller shall be used to determine the Estimated Consideration.
- 3.3 The Buyer and the Seller shall cooperate in good faith in relation to the likely timing of Completion and the Seller shall provide to the Buyer promptly upon request (such request only to be made if at least half of the Conditions have been satisfied and the Buyer reasonably believes the Conditions will be satisfied within 10 Business Days), a good faith estimate of the Estimated Consideration, provided that such estimate shall be without prejudice to the Estimated Completion Accounts and the Estimated Completion Statement to be delivered to the Buyer pursuant to Clause 3.2.

### 4 **CONDITIONS**

- 4.1 Completion is conditional upon:
- (a) BGC Partners obtaining the consent or approval of the BGC Lenders to the sale of the Shares and entry in to this Agreement;
  - (b) the FCA:
    - (i) having given notice for the purposes of section 189(4)(a) of FSMA that it has determined to approve the acquisition of control by the Buyer with respect to Ed Broking LLP, Piiq Risk Partners Limited, Besso Limited and (if, subject to Clause 5.3, Globe Underwriting Limited receives FCA authorisation in advance of Completion) Globe Underwriting Limited; or

- (ii) being treated by virtue of section 189(6) of FSMA, as having approved such acquisition of control; or
- (iii) having given notice for the purposes of section 189(4)(b)(i) of FSMA that it has determined to approve the acquisition of control by the Buyer of Ed Broking LLP, Piiq Risk Partners Limited, Besso Limited and (if, subject to Clause 5.3, Globe Underwriting Limited receives FCA authorisation in advance of Completion) Globe Underwriting Limited subject to conditions, and those conditions required to be satisfied for Completion to take place in accordance with applicable Laws being satisfied,

where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemptions) Order 2009 and for the purposes of this clause 5.1(b) "**control**" shall be defined and construed in accordance with the provisions of Part XII FSMA;

- (c) the GFSC either:
  - (i) having given written notice for the purposes of The Insurance Business (Bailiwick of Guernsey Law), 2002 (as amended) (the "**Insurance Law**") that it has no objections to the Buyer and all other persons who would on Completion become a controller, becoming a controller of Harlequin Insurance PCC Limited or Ed Broking LLP; or
  - (ii) being deemed by virtue of the Insurance Law, as having no such objections;
- (d) the JFSC having given written notice (and not withdrawn the same) for the purposes of the Financial Services (Jersey) Law 1998 (as amended) ("**FSJL**") that:
  - (i) it has no objection to the Buyer (and each relevant person in the Buyer's Group) becoming a principal person (as defined in Article 1(1) of the FSJL) of Ed Broking LLP on Completion; and
  - (ii) it has no objection to the Seller (and each relevant person in the Seller's Group) ceasing to be directly or indirectly interested in 20%, 33% or 50% of the share capital or voting rights of Ed Broking LLP on Completion;
- (e) Ed Broking LLP notifying the JFSC of the proposed change of principal person(s) (as defined in Article 1(1) of the FSJL) as a result of Completion in accordance with Article 14(3) of the FSJL;
- (f) the MAS having given notice in writing pursuant to section 35ZI(2) of the Insurance Act (Chapter 142 of the Statutes of the Republic of Singapore) ("**Insurance Act (Cap. 142)**") that it approves the Buyer obtaining effective control of Ed Broking (Asia) PTE Limited. For the purposes of this Clause 4.1(f), "obtaining effective control" shall be defined and construed in accordance with section 35ZI(3) of the Insurance Act (Cap. 142);
- (g) the DFSA having issued its prior approval, pursuant to Rule 11.8.4(1) of the General Module of the DFSA Rulebook, for the Buyer to become a controller of Ed Broking (MENA) Limited and Besso Re (Middle East) Limited and the Buyer receiving evidence that the Seller has notified the DFSA, pursuant to Rule 11.8.9 of the General Module of the DFSA

Rulebook, that it is ceasing to exercise control over Ed Broking (MENA) Limited and Besso Re (Middle East) Limited;

- (h) CIMA having confirmed in writing its approval, or non-objection, to the indirect change of control of Cooper Gay Cayman Ltd which would take place as a result of Completion in accordance with section 12(1) of the Insurance Act 2010 (as amended) of the Cayman Islands (i) unconditionally; or (ii) subject to conditions, and those conditions required to be satisfied for Completion to take place in accordance with applicable Laws being satisfied;
- (i) BMA having granted its approval in respect of the acquisition by the Buyer of indirect control of BGC Re (Bermuda) Limited and Ed Broking (Bermuda) Limited;
- (j) TDI either: (i) having given notice of its approval of the Buyer acquiring control over Ed Broking (Miami) Inc. and Piiq Risk Partners Inc. or (ii) not having denied approval or objected to the Buyer acquiring control over Ed Broking (Miami) Inc. and Piiq Risk Partners Inc. within 60 days of the filing of a notice of change of control pursuant to Texas Insurance Code Section 4001.253; and
- (k) no Material Adverse Change having occurred.

4.2 The Buyer shall, at its own cost, use all reasonable endeavours to ensure that the Regulatory Conditions (and any other material consents and approvals of a Regulatory Authority that may be required in order to consummate the Transaction of which the Buyer is aware of as of the date of this Agreement) are fulfilled promptly after the date of this Agreement. The Buyer shall have primary responsibility for fulfilling the Regulatory Conditions and shall take all reasonable steps necessary for that purpose, including fulfilling any conditions imposed by the FCA, the GFSC, the JFSC, the MAS, DFSA, CIMA, TDI and BMA (where such conditions are acceptable to the Buyer acting reasonably) and making appropriate applications, submissions, notifications and filings in consultation with the Seller in accordance with this Clause 4.2 (including, without limitation, the Regulatory Applications) as soon as reasonably practicable and in any event (subject to Clause 4.3) within 15 Business Days after the date of this Agreement or (in relation to the Regulatory Condition in set out in Clause 4.1(b) so far as it relates to Globe Underwriting Limited), within 10 Business Days after the date that the pending application for FCA authorisation in relation to Globe Underwriting Limited is approved (or the date that is 15 Business Days after the date of this Agreement, whichever is the later). For this purpose the Buyer shall:

- (a) where not prohibited by Law or any Authority, promptly notify the Seller and provide details, of all material communications with any Authority relating to the satisfaction of the Regulatory Conditions; and
- (b) provide regular updates to the Seller on the progress of any notification or filings with a view to satisfying the Regulatory Conditions at the earliest reasonable opportunity.

4.3 The Buyer shall ensure that, to the extent any application, notification, filing, response to a request for further information or other communication with a Regulatory Authority in relation to the Regulatory Conditions made by any member of the Buyer's Group solely in order to comply with the Regulatory Conditions includes factual information in relation to the current business of the Group or the Seller's Group, that information shall be:

(a) materially consistent with the information in relation to the business of the Group or the Seller's Group included in this Agreement or the Regulatory Information Summary or any information subsequently provided by the Seller following a request from the Buyer in connection with the satisfaction of the Regulatory Conditions; or

(b) otherwise approved by the Seller (such approval not to be unreasonably withheld delayed or conditioned),

provided that (i) this Clause 4.3 shall not apply to reports prepared by third parties that may be submitted to a Regulatory Authority in connection with a Regulatory Condition (including any subsequent written or oral correspondence with any Regulatory Authority in respect of such information prepared by such third parties) save that the Buyer shall be required to provide such third parties with a copy of the Regulatory Information Summary, notify such third parties of the Buyer's obligations under this Clause 4.3, and request that such reports and correspondence comply with Clauses 4.3(a) and 4.3(b); (ii) this Clause 4.3 shall not apply to such information that relates to the business of the Group post-Completion; (iii) the Buyer shall not be required to provide any information to the Seller in relation to the business of the Buyer's Group; and (iv) the 15 Business Day period referred to in Clause 4.2 above shall be extended by such time as is required (in excess of 24 hours following receipt by the Seller of the initial request) for the Buyer to seek and obtain the Seller's approval pursuant to Clause 4.3(b).

4.4 The Seller shall provide the Buyer and any Authority with: (a) any necessary information and documents in their possession (and, to the extent such provision would include the disclosure of confidential or financial information, subject to appropriate confidentiality undertakings being obtained from such Authority) requested in reasonable time and reasonably required for the purpose of making any submissions, notifications and filings to any such Authority; and (b) any other reasonable assistance required for the purposes of fulfilling the Regulatory Conditions, which shall include for the avoidance of doubt notifying the Buyer as soon as reasonably practicable where there has been a change to any information provided to either the Buyer or the Authority in connection with this Clause 4.4.

4.5 Nothing in this Agreement shall require the Buyer or the Buyer's Group to offer to any Authority or any other party, or accept or agree any undertakings, commitments, conditions, modifications or remedies of an unusual, onerous or material nature, whether involving divestments or disposals or constraints on prices or other behaviour or otherwise, in order to obtain the satisfaction of the Regulatory Conditions.

4.6 Each Party shall be entitled to keep confidential and shall not be obliged to disclose to the other Party or any of their advisers any confidential, commercially sensitive or financial information regarding itself or any member of the its Group and, to the extent that any such confidential information is directly required by an Authority, each Party or any member of the its Group shall be entitled to deal directly with the Authority in respect of such request and/or matter (without reference to, or obligation to notify, the other Party of such communications with the relevant Authority, unless otherwise required by this Agreement).

4.7 The Buyer shall notify the Seller promptly upon:

(a) becoming aware that a Regulatory Condition has been satisfied; and

(b) becoming aware of any fact, matter or circumstance that may prevent or delay the satisfaction of any Regulatory Condition prior to the Long Stop Date (without prejudice to the generality of the foregoing, this includes

disclosure of any indication that any Authority may intend to withdraw its approval of, or raise an objection to, or impose a condition on, the sale and purchase of the Shares pursuant to this Agreement).

- 4.8 The Seller shall, at its own cost:
- (a) use best endeavours (and shall procure that all relevant members of the Seller's Group use best endeavours) to ensure that the Banking Condition is satisfied as soon as practicable after the date of this Agreement;
  - (b) promptly provide the Buyer with updates in relation to all material developments in relation to the satisfaction of the Banking Condition;
  - (c) notify the Buyer promptly upon:
    - (i) becoming aware that the Banking Condition has been satisfied; and
    - (ii) becoming aware of any fact, matter or circumstance that may prevent or delay the satisfaction of the Banking Condition prior to the Long Stop Date.
- 4.9 The Seller may, at any time prior to the Long Stop Date by notice to the Buyer, waive the Banking Condition.
- 4.10 The Buyer may, at any time prior to the Long Stop Date by notice to the Seller, waive the MAC Condition.
- 4.11 If any of the Conditions have not been satisfied or waived by the Party entitled to do so by 11.59pm on the Long Stop Date, this Agreement shall automatically terminate and the provisions of Clause 21 (*Termination*) shall apply.
- 4.12 If, on the date that is five Business Days prior to the Long Stop Date, any Regulatory Conditions remain unsatisfied, the Seller may (in its sole discretion and by notice in writing to the Buyer at any time prior to the Long Stop Date) extend the Long Stop Date by up to two calendar months (in one extension or in two extensions of not less than one calendar month each).
- 4.13 In the event that a Regulatory Authority gives notice that a Regulatory Application has been rejected or queried and the statutory time frame which such authority has for reviewing the application has been paused or reset then the Buyer shall give notice of such action to the Seller and the Seller shall have the ability, on written notice to the Buyer, to extend the Long Stop Date by a period not greater than the period of delay to such statutory time frame arising in relation to the Relevant Application. For the avoidance of doubt such right shall be in addition to the Seller's rights under Clause 4.12.
- 4.14 If prior to Completion either the Seller or the Buyer identifies any material consents or approvals that are required in order to consummate the Transaction (and not currently referred to herein), each party shall cooperate in good faith and take such actions as may be reasonably requested by the other to obtain such consents or approvals. For the avoidance of doubt the satisfaction of any consents or approvals identified pursuant to this Clause 4.14 shall not constitute conditions to Completion.
- 4.15 Without prejudice to the provisions of Clause 4.11, if, on the date that is 15 Business Days prior to the Final Long Stop Date, any of the Conditions have not been satisfied or waived by the Party entitled to do so, this Agreement shall automatically terminate and the provisions of Clause 21 (*Termination*) shall apply.

5 **PRE-COMPLETION**

5.1 Until Completion, the Buyer and the Seller shall cooperate in good faith in relation to, so far as permissible by applicable Law and without causing material interruption to the business and operations of the Group:

- (a) the provision to the Buyer of documents and information in relation to the Group as may be reasonably requested by the Buyer; and
- (b) the arrangement of discussions between the Buyer and such senior employees and officers of the Group as the Buyer may reasonably request in relation to the affairs, finances and accounts of the Group,

provided always that any information provided to the Buyer pursuant to this Clause 5.7 shall constitute the Seller's Confidential Information for the purposes of Clause 15 until Completion.

5.2 Until Completion, the Seller shall ensure that the 'check the box' Tax election status for all Group Companies is made available to the Buyer promptly upon request.

5.3 Promptly upon request of the Buyer (provided that the Buyer has first consulted with the Seller in relation to such request and taken account of any request made by the Seller for a short delay on the basis that it has reasonable grounds to believe that the authorisation will be received within 5 Business Days), the Seller shall procure that the pending application for FCA authorisation in relation to Globe Underwriting Limited is withdrawn, and shall provide written evidence in a form satisfactory to the Buyer that such withdrawal has taken place.

5.4 The Seller shall procure that Ed Broking LLP will provide TIRA with an updated List of Shareholders (reflecting the changes to the List of Shareholders that will take place on Completion) no later than one calendar month in advance of Completion. The Buyer will provide to the Seller and Ed Broking LLP all reasonable assistance necessary to prepare the updated List of Shareholders.

5.5 Until Completion, the Seller shall promptly inform the Buyer if it or any Group Company receives notice of, or if the Seller otherwise becomes aware of, any Regulatory Action.

5.6 Until Completion, the Seller shall use its reasonable endeavours to procure that:

- (a) the relevant Group Company has obtained the prior written unconditional consent to the Transaction from the relevant counterparties to the Change of Control Leases; and
- (b) Ed Broking LLP has obtained the prior written unconditional waiver by Palm Insurance Canada Inc. under the Palm Insurance Loan Agreement in relation to the proposed Change of Control (as that term is defined in the Palm Insurance Loan Agreement) of Ed Broking LLP in connection with the Transaction provided that (i) approaching Palm Insurance Canada Inc. to request such consent would not be otherwise prejudicial to Ed Broking LLP's interests under the Palm Insurance Loan Agreement, and (ii) Ed Broking has not already renegotiated the terms of Palm Insurance Loan Agreement removing the relevant change of control provision,

and the Seller shall keep the Buyer reasonably informed in a timely manner in relation to its progress in obtaining the consents referred to in this Clause 5.6.

5.7 Until Completion, the Seller shall procure that:

- (a) the business of each Group Company is carried on in material compliance with Laws applicable to the Group Companies and in substantially the same manner as its businesses have been carried on during the 12 month period prior to the date of this Agreement; and
  - (b) no Group Company shall do any of the things specified in Schedule 2 (*Reserved Matters*), or give any binding undertaking to do any such things.
- 5.8 Nothing in Clause 5 shall impose any obligation on the Seller to prevent or restrict any Group Company from doing or omitting to do anything:
  - (a) required for the performance of any contract entered into prior to the date of this Agreement;
  - (b) required in order to comply with any applicable Law or as required by any Authority;
  - (c) with the written consent (not to be unreasonably withheld, conditioned or delayed, and to be deemed to have been given if the Buyer does not reply promptly to a request which the Seller has made clear relates to a matter which requires it to take immediate or prompt steps having regard to the expected consequences, provided such request is made in accordance with Clause 29 (*Communications*) and also made in writing by email to geoff.gouriet@ardonagh.com, or at the written request of, the Buyer; or
  - (d) required by any Transaction Document.
- 5.9 The Seller shall notify the Buyer as soon as reasonably practicable following the Seller becoming aware of any breach of Clause 5.7 by the Seller.
- 6 **EXCHANGE AND COMPLETION**
- 6.1 On exchange of this Agreement:
  - (a) the Seller shall deliver or make available to the Buyer:
    - (i) a copy of the resolution adopted by the Seller's board of directors authorising the entry of the Seller into the Transaction Documents to which it is a party;
    - (ii) a copy of the resolution adopted by the Seller Guarantor's board of directors authorising the entry of the Seller Guarantor into the Transaction Documents to which it is a party;
    - (iii) a copy of any power of attorney under which any Transaction Document has been executed on behalf of the Seller or the Seller Guarantor (if any);
    - (iv) a copy of the Deed of Indemnity, duly executed by the Seller;
    - (v) a deed of termination in relation to the Ed Indemnity, duly executed by each party to the Ed Indemnity, and pursuant to which the right and obligations of each party to the Ed Indemnity cease to have force and effect (including in relation to any claims that may have accrued prior to such termination);
  - (b) the Buyer shall deliver or make available to the Seller:



- (i) a copy of the resolution adopted by the Buyer's board of directors authorising the entry of the Buyer into the Transaction Documents to which it is a party;
- (ii) a copy of the resolution adopted by the Buyer Guarantor's board of directors authorising the entry of the Buyer Guarantor into the Transaction Documents to which it is a party;
- (iii) a copy of any power of attorney under which any Transaction Document has been executed on behalf of the Buyer or the Buyer Guarantor (if any);
- (iv) a copy of the Deed of Indemnity, duly executed by the Buyer; and
- (v) a copy of the management warranty deed and tax covenant, and disclosure letter, entered into by the Buyer and the Management Warrantors in connection with the Transaction.

6.2 Completion shall take place at the offices of the Seller's Solicitors (or such other venue as the parties shall agree) on the date falling fifteen Business Days after the date on which the last of the Conditions is satisfied or waived, provided that if such date falls within the same calendar month (as the date upon which the last such Condition was satisfied or waived), Completion shall take place at 00.01 on the first day of the following calendar month (or such other date as the parties shall agree) (the "**Completion Date**") provided the Conditions remain satisfied or waived on such date. For the avoidance of doubt, and notwithstanding the foregoing, Completion shall not take place on a later date than the Final Long Stop Date.

6.3 On Completion, the Seller and the Buyer shall comply with their respective obligations in Schedule 4 (*Completion formalities*).

6.4 If any of the transactions set out in Schedule 4 (*Completion formalities*) does not take place as provided in that schedule, the Buyer, in the case of non-compliance by the Seller, or the Seller, in the case of non-compliance by the Buyer, may at its election and, in each case, without prejudice to its other rights and remedies:

- (a) defer Completion for not less than ten Business Days (or to the Final Long Stop Date, if sooner); or
- (b) proceed to Completion so far as is practicable; or
- (c) following the deferral (if the transactions have still not taken place) terminate this Agreement in which case the provisions of Clause 21 (*Termination*) shall apply.

6.5 If Completion takes place on a date that is not the first day of a calendar month:

- (a) the Seller hereby warrants and undertakes to the Buyer that no Leakage shall occur during the period commencing on the Effective Time up to and including Completion;
- (b) in the event of any Leakage during the period commencing on the Effective Time up to and including Completion, the Seller shall pay to the Buyer (or any Group Company as the Buyer directs) on demand an amount in cash equal to the amount of the Leakage.
- (c) Any payment by the Seller pursuant to this Clause 6.5 shall be made as far as possible by way of a reduction to or repayment of the Consideration;

- (d) The Seller shall not be liable under this Clause 6.5 unless:
  - (i) written notice of the claim (including, to the extent known, details of the Leakage) is given to the Seller by the Buyer within twelve (12) months from the date of Completion; and
  - (ii) the Buyer serves legal proceedings on the Seller in respect of the claim on or before six (6) months from the date on which the Buyer notified the claim in accordance with Clause 6.5(d)(i) above.
- (e) the Seller's only liability in connection with a matter which constitutes Leakage shall be under this Clause 6.5; and
- (f) the Buyer shall pay to the Seller, as additional consideration for the sale and purchase of the Shares, an amount equal to 2% per annum on the Consideration for the period from and including the Effective Time until and including the date of Completion. Such amount shall:
  - (i) accrue daily based on three hundred and sixty-five (365) days per annum;
  - (ii) be applied to the Estimated Consideration payable by the Buyer at Completion pursuant to Clause 3.1(a) and calculated by the Seller in good faith; and
  - (iii) be applied to the Excess or the Deficit payable by the Buyer or the Seller (as the case may be) pursuant to Clause 3.1(b) and calculated by the party paying the Excess or the Deficit (as the case may be) in good faith.

6.6 Notwithstanding any other provision in this Agreement:

- (a) the maximum liability of the Seller in respect of any claim pursuant to Clause 6.5 shall not in any event exceed the aggregate amount of the Leakage; and
- (b) the Seller shall have no liability in connection with anything that constitutes or arises in connection with Permitted Leakage.

## 7 SELLER WARRANTIES

7.1 The Seller warrants to the Buyer in the terms of the Warranties.

7.2 The Seller shall warrant to the Buyer that the Warranties will be true and accurate at Completion by reference to the facts and circumstances then subsisting and, for this purpose, the Warranties shall be deemed to be repeated at Completion as if any express or implied reference in the Warranties to the date of this Agreement was replaced by a reference to the date of Completion. The parties agree that, to the extent any non-material changes are required to the information contained in Schedule 1 following the date of this Agreement, they will co-operate to make such changes in the period prior to Completion and the Seller shall not be held liable by the Buyer for any Warranty breach which would otherwise have occurred but for the agreed amendment to such information.

7.3 Each of the Warranties shall be construed as a separate and independent warranty and except where this Agreement expressly provides otherwise, each Warranty is not limited by the other provisions of this Agreement, including the other Warranties.

- 7.4 The Seller shall not (if a claim is made against it by the Buyer under the Warranties) make any claim against any Group Company or against any director, Employee, agent or officer of any Group Company in respect of any misrepresentation, error or omission in connection with any information supplied or statement made by them in connection with the entering into of this Agreement and the giving of the Warranties. The Seller acknowledges that it has no rights to make any such claim, save in the event of fraud or deliberate or wilful concealment. The rights of each Group Company and any director, Employee, agent or officer of any Group Company under this Clause are subject to the provisions of Clause 25 (*Third party rights*).
- 7.5 The liability of the Seller in connection with this Agreement is limited in accordance with the provisions of Schedule 6 (*Seller protection provisions*).

## 8 SELLER INDEMNITIES

- 8.1 Subject to the remainder of this Clause 8 and subject to the applicable limitations set out in Schedule 6, the Seller undertakes to indemnify each member of the Buyer's Group from and against all Indemnified Losses suffered or incurred by a Group Company in connection with the Indemnified Matter.
- 8.2 A member of the Buyer's Group shall not be able to rely on Clause 8.1 in respect of its own illegal or unlawful conduct or act (but the rights of any other member of the Buyer's Group in relation to the same illegal or unlawful conduct or act are unaffected).
- 8.3 From Completion, the Buyer shall:
- (a) consult with the Seller in relation to all material developments in relation to the Indemnified Matter;
  - (b) keep the Seller informed as to any material developments and the conduct of any proceedings relating to the Indemnified Matter and comply promptly with any reasonable requests for information made about the Indemnified Matter and the defence of the same;
  - (c) promptly notify the Seller in the event any member of the Buyer's Group has incurred any Indemnified Losses; and
  - (d) defend any third party claim in relation to the Indemnified Matter in good faith.
- 8.4 Subject always to the relevant provisions of Schedule 6, if the Buyer has made a notification to the Seller in accordance with Clause 8.3(c), the Seller shall, to the extent reasonably requested by the Buyer and provided there is in the opinion of the Seller (acting reasonably) a reasonable prospect of recovery, then take all reasonable steps to enforce its rights to recover amounts in respect of Indemnified Losses from the counterparties to the Besso Warranty Deed in respect of the Original Indemnity.
- 8.5 If the Seller receives any payment under the Original Indemnity in relation to the Indemnified Losses, the Seller must promptly pay such amount to the relevant member of the Buyer's Group.
- 8.6 In the event the Buyer, pursuant to Clause 8.4, requests the Seller to enforce its rights under the Besso Warranty Deed in respect of the Original Indemnity:

- (a) the Buyer shall promptly pay to the Seller (in advance) the Seller's estimate of likely reasonably and properly incurred fees, costs and expenses of the Seller in relation to such enforcement;
- (b) the Seller shall not be required to take any action to enforce its rights under the Besso Warranty Deed in respect of the Original Indemnity before such amounts are agreed and paid by the Buyer;
- (c) following completion of any action taken by the Seller to enforce its rights under the Besso Warranty Deed in respect of the Original Indemnity, the Seller shall provide to the Buyer a breakdown of all reasonably and properly incurred fees, costs and expenses of the Seller in relation to the action, together with documentary evidence in support of all such fees, costs and expenses; and
- (d) in the event that the amount paid by the Buyer pursuant to Clause 8.6(a) exceeds the amount of reasonably and properly incurred fees, costs and expenses of the Seller notified by the Seller to the Buyer in accordance with Clause 8.6(c), the Seller shall promptly upon request refund the amount of the difference to the Buyer.

8.7 Without prejudice to the foregoing provisions of this Clause 8, if the Buyer receives any payment from or on behalf of the Seller for any Indemnity Claim ("**Seller Payment**") and any member of the Buyer's Group subsequently recovers any amount from any third party for anything relating to that Indemnity Claim ("**Recovered Amount**"):

- (a) the Buyer shall notify the Seller of the Recovered Amount; and
- (b) if the total of the Recovered Amount and the Seller Payment exceeds the Indemnified Losses, the Buyer shall promptly pay the Seller an amount equal to the lesser of:
  - (i) the difference between (x) the total of the Recovered Amounts and the Seller Payments and (y) the Indemnified Losses; and
  - (ii) the Seller Payment.

8.8 The rights of the members of the Buyer's Group (other than the Buyer) under Clause 8.1 are subject to the provisions of Clause 18.

## 9 **W&I POLICY**

9.1 The Buyer warrants that:

- (a) it has taken out the W&I Policy on or before the date of this Agreement and such policy is effective immediately upon the signing of this Agreement; and
- (b) the W&I Policy includes terms to the effect that, except in the case of fraud or fraudulent misrepresentation, the insurer shall not be entitled to exercise rights of subrogation against the Seller, and the Buyer will ensure (to the extent it is within its control) that those terms are not varied and the benefit of them is held on trust by the Buyer for the Seller (or are otherwise directly legally enforceable by the Seller).

9.2 The Buyer acknowledges and agrees that:

- (a) it shall be solely responsible for the payment of the premium and all other costs, fees and expenses relating to the W&I Policy; and
- (b) notwithstanding any other provision of a Transaction Document or the W&I Policy, the provisions of Schedule 6 (*Seller Protection Provisions*) shall apply for the benefit of the Seller despite any vitiation, expiry or termination of, default under or failure to take out, the W&I Policy.

## 10 **BUYER WARRANTIES**

- 10.1 Each of the Buyer and the Buyer Guarantor warrants to the Seller in the terms of Schedule 7 (*Buyer and Buyer Guarantor warranties*) in respect of itself.
- 10.2 Each of the Buyer and the Buyer Guarantor shall warrant to the Seller in the terms of Schedule 7 (*Buyer and Buyer Guarantor warranties*) will be true and accurate at Completion in respect of itself by reference to the facts and circumstances then subsisting and, for this purpose, such warranties shall be deemed to be repeated at Completion as if any express or implied reference in the such warranties to the date of this Agreement was replaced by a reference to the date of Completion.

## 11 **POST-COMPLETION MATTERS**

### 11.1 **Release of guarantees**

- (a) Following Completion, the Buyer shall use reasonable endeavours to procure the release and discharge as soon as reasonably practicable of any guarantee(s) so as to ensure that no further cost is incurred by the Seller in relation to any such guarantee(s) after Completion, indemnities or other assurances which may be identified after Completion as having been entered into by the Seller or any member of the Seller's Group for the benefit of any Group Company where such release has not already been procured at Completion provided that the Seller provides the Buyer with all information and assistance that it may reasonably require to enable it to comply with this Clause 11.1.
- (b) Following Completion, the Seller shall use reasonable endeavours to procure the release and discharge as soon as reasonably practicable of any guarantee(s) so as to ensure that no further cost is incurred by any Group Company in relation to any such guarantee(s) after Completion, indemnities or other assurances which may be identified after Completion as having been entered into by any member of Group for the benefit of any member of the Seller's where such release has not already been procured at Completion provided that the Buyer provides the Seller with all information and assistance that it may reasonably require to enable it to comply with this Clause 11.2.

### 11.2 **Access to records**

- (a) The Buyer shall procure that all records relating to a Group Company and their respective businesses that may be reasonably requested by the Seller for the purposes referred to in Clause 11.2(b) and are in the possession or control of a Group Company at Completion are kept for six years from Completion.
- (b) Following Completion, the Buyer shall (and shall procure that each other member of the Buyer's Group and their respective agents and advisers shall) as soon as reasonably practicable provide the Seller with such information and copies of books, records and papers of any Group

Company as the Seller may reasonably require for the purposes of: (i) dealing with the Tax affairs (including the preparation or filing of any Tax returns, accounts, computations, claims, elections, notices, consents and such other documents contemplated by or reflected in or necessary for the preparation of Tax returns) or preparing financial statements of any member of the Seller's Group; (ii) enabling any member of the Seller's Group to comply with applicable Law (including in respect of bank or regulatory reporting obligations); (iii) enabling any member of the Seller's Group to deal with affairs relating to insurance taken out by any member of the Seller's Group; (iv) required by any member of the Seller's Group in connection with any litigation or investigation (other than in connection with the Transaction, unless relating to the Indemnified Matter), and only to the extent necessary for such purpose, and provided always that the Buyer shall not be obliged to provide the Seller with, or allow access to:

- (i) information in violation of any applicable Law;
- (ii) information the disclosure of which would jeopardise any privilege available to the Buyer, or any of its respective Affiliates relating to such information;
- (iii) information the disclosure of which would cause the Buyer or any of its respective Affiliates to breach a confidentiality obligation; or
- (iv) any auditors' and accountants' work papers except in accordance with their normal disclosure procedures and then only after entering into their customary agreement relating to access,

and the Seller shall keep any information that is provided confidential and, except as required by applicable Law or a Regulatory Authority, only use it for the purpose or purposes for which it was requested.

- (c) From Completion, the Seller shall (and shall procure that each other member of the Seller's Group and their respective agents and advisers shall) as soon as reasonably practicable provide the Buyer with such information relating to the Tax affairs of the Group as is in the possession or control of a member of the Seller's Group, and which is reasonably requested by the Buyer in relation to any Group Company's Tax affairs (including the preparation or filing of any Tax returns, accounts, computations, claims, elections, notices, consents and such other documents contemplated by or reflected in or necessary for the preparation of Tax returns), and only to the extent necessary for such purpose, and provided always that no member of the Seller's Group shall be obliged to provide the Buyer with, or allow access to:

- (i) information in violation of any applicable Law;
- (ii) information the disclosure of which would jeopardise any privilege available to the Seller, or any of its respective Affiliates relating to such information;
- (iii) information the disclosure of which would cause the Seller or any of its respective Affiliates to breach a confidentiality obligation; or
- (iv) any auditors' and accountants' work papers except in accordance with their normal disclosure procedures and then only after entering into their customary agreement relating to access,

and the Buyer shall keep any information that is provided confidential and, except as required by applicable Law or a Regulatory Authority, only use it for the purpose or purposes for which it was requested.

### 11.3 **D&O cover**

From Completion, the Buyer shall (and shall procure that each Group Company shall) not take any action to cancel the directors' and officers' insurance policies obtained by any Group Company that are in place at Completion prior to their expiry dates.

### 11.4 **Pensions**

- (a) Subject as provided below, the Seller will pay to the Buyer amounts (the "**Pension Amounts**") (by way of reduction of the Consideration for the Shares) equal to those amounts payable by Ed Broking Holdings (London) Limited ("**EBH**") to the trustees of the Cooper Gay (Holdings) Limited Retirement Benefits Scheme (the "**Scheme**") under the Recovery Plan dated 27 March 2020 (the "**Recovery Plan**"). The Seller shall pay the Pension Amounts no later than 14 days after the month to which they relate. It is agreed that the amounts due under the Recovery Plan is the sum of £160,000 per month with the last payment being due in respect of July 2025. The Buyer shall as soon as reasonably practicable following receipt of a Pension Amount procure that EBH pays the same amount into the Scheme.
- (b) The Seller's obligation to continue to pay the Pension Amounts following the trustees of the Scheme entering into an agreement to insure all the Scheme benefits shall be reduced in circumstances where the payment made by the Buyer, or any member of the Buyer's Group, (whether to the trustees of the Scheme or a third party insurer) to secure the insuring of all Scheme benefits is less than the outstanding payments owed by the Seller under this Clause 11.4(b).
- (c) The Seller's obligation to continue to pay the Pension Amounts following any actuarial valuation of the Scheme with an effective date occurring before 31 July 2025 (a "**Revised Valuation**") shall be suspended in circumstances where the deficit has been reduced to £0 or the Scheme is in surplus (to be determined without taking account of any additional payments made into the Scheme by the Buyer) as calculated by the Scheme actuary on the then prevailing technical provisions basis, provided in each case that no amounts are required to be paid by EBH, or any member of the Buyer's Group, to the Scheme following that Revised Valuation. If, following such suspension, any amounts are required to be paid by EBH, or any member of the Buyer's Group, to the Scheme following any Revised Valuation, the Seller's obligations to pay the Pension Amounts shall recommence and the Seller shall be required to pay to the Buyer such total Pension Amounts as it would have paid pursuant Clause 11.4(a) absent such suspension (divided equally in monthly payments until July 2025, provided that pursuant to this Clause 11.4(c) the Seller shall not be required to pay to the Buyer any amounts that, when paid by EBH into the Scheme, would result in the Scheme being in a funding surplus as calculated by the Scheme actuary on an applicable buy-out funding basis at the point of all the Scheme benefits being secured with an insurer).
- (d) The obligation of the Seller to pay Pension Amounts shall be reduced (or as appropriate Pension Amounts shall be refunded) by the amount of

corporation tax actually saved (the "**CT Saving**") by the Buyer or EBH in each of the accounting periods (or part periods) during the period following Completion up to and including 31 July 2025 (as reasonably determined by the Buyer by the end of each relevant accounting period) in relation to payments into the Scheme in respect of Pension Amounts (such payments hereafter referred to as "**Pension Scheme Contribution Amounts**"), provided that for the purposes of determining the CT Saving:

- (i) the CT Saving shall be assumed not to exceed the amount of the Pension Scheme Contribution Amounts from time to time, and
- (ii) the CT Saving shall be deemed to arise in a given accounting period only to the extent that the amount of corporation tax actually payable on the profits of EBH (as applicable) within any applicable accounting period is less than it would have been had (a) such Pension Scheme Contribution Amounts not been paid in that accounting period and (b) the maximum amount of Tax reliefs available to EBH been utilised by EBH so as to reduce its corporation tax liability to the maximum extent possible (including by way of accepting surrenders of group relief from any other member of the Buyer's Group or utilising brought forward losses or otherwise),

less the amount of the liability of the Buyer and EBH for Taxation (or the amount of the liability for Taxation that would have been incurred but for the utilisation of any Tax relief in respect of such liability) in relation to the receipt of the Pension Amounts (as calculated by the Buyer, acting reasonably).

- (e) The Buyer shall promptly provide to the Seller a copy of the actuarial valuation report in respect of any Revised Valuations following Completion (provided that the Seller, if required, first executes an NDA and/or a non-reliance letter with the trustees of the Scheme and/or the actuarial firm which prepared the relevant actuarial valuation report on terms acceptable to the trustees and/or the actuarial valuation firm).
- (f) Provided advanced notice in writing is provided to the Buyer and evidence once that payment has been made, the Seller may elect to pay any Pension Amounts directly to the trustees of the Scheme, such advance notice to be no less than seven days. In the event that the Pension Amounts are subject to (or required to be subject to) any deductions or withholdings or are liable to Taxation (or would have been liable for Taxation but for the utilisation of any Tax relief in respect of such liability) on receipt by the Scheme trustees the Seller shall pay to the Scheme such additional amount as shall be required to ensure that the net amount received by the Scheme will equal the full amount which would have been received by the Scheme in the absence of any such deductions, withholdings or Taxation liabilities.
- (g) The liability of the Seller (together with the other members of the Seller's Group) to pay amounts pursuant to this Clause 11.4 (other than its obligation to make further payments to the Scheme pursuant to Clause 11.4(f) in the circumstances described therein) shall be limited to the amounts contemplated under the Recovery Plan as set out in Clause 11.4(a) (as reduced pursuant to Clause 11.4(b) or 11.4(d) above).



## 11.5 Incentives

- (a) Prior to Completion, the Seller agrees (i) to send to the Buyer for comments the form of the Cash Award Letter that will be sent to employees pursuant to Clause 11.5(b) below, to reasonably consider any comments made by the Buyer, and to send the Buyer a final version of the Cash Award Letter before sending the Cash Award Letter to employees; and (ii) that it will procure that the Cash Award Letter includes restrictive covenants for a period of not less than 12 months for any employees who currently have no such covenants in their employment contracts and for all other employees note that the terms of their existing restrictive covenants will continue to apply notwithstanding the Transaction or payment of any Cash Award, and clawback provisions in relation to any breach of such restrictive covenants.
- (b) Prior to or at Completion, the Seller shall procure that:
  - (i) all outstanding partnership share units in any member of the Seller's Group held by employees of the Group Companies are cancelled and that any liability to Tax arising in connection with such cancellation has been settled with the relevant Tax Authority;
  - (ii) all outstanding restricted stock units relating to shares in any member of the Seller's Group held by employees of the Group Companies have been cancelled and that any liability to Tax arising in connection with such cancellation has been settled with the relevant Tax Authority; and
  - (iii) the Cash Award Letter is delivered to each employee of the Group referred to in the Cash Award Schedule, confirming the entitlement of each such employee to receive a Cash Award as set out in the Cash Award Schedule; and
  - (iv) 50% of the Cash Awards are due to each employee of the Group Company included in the Cash Award Schedule, in accordance with and subject to the terms of Clause 11.5(c), the Cash Award Schedule and the Cash Award Letter (the "**Pre-Completion Cash Awards**").
- (c) With regards to the payment of the Pre-Completion Cash Awards, the Buyer shall be responsible for:
  - (i) payment of the Pre-Completion Cash Awards within 30 days of Completion to the relevant eligible employees in the amount due to them in accordance with the terms of the Cash Award Letter and the Cash Awards Schedule, and shall provide a copy of a payroll record to the Seller showing that such payments have been made;
  - (ii) withholding income tax and/or employee's national insurance contributions (or any similar liability), to be accounted for to the revenue authorities in any jurisdiction, resulting from, or otherwise in connection with the Pre-Completion Cash Awards together with any other Tax payable in relation to the same (including, for the avoidance of doubt, any employer's national insurance contributions), and shall procure that any liability to Tax arising in connection with the payment of the Pre-Completion Cash Awards

is settled with the relevant Tax Authority within the relevant time limits;

- (d) With regards to any Cash Awards payable to the employees following Completion, such amounts to constitute 50% of the Cash Awards ("**Post Completion Cash Awards**"):
- (i) the Buyer shall send to the Seller an updated draft of the Cash Awards Schedule ("**Updated Awards Schedule**") not less than 45 days prior to the date the entitlement to the Post-Completion Cash Awards is confirmed in accordance with the terms of the Cash Awards Letter, showing those employees who have left the Group and those that remain in employment with the Group and so are entitled to receive their Post Completion Cash Award;
  - (ii) subject to receipt of the updated Cash Awards Schedule, the Seller shall procure that the aggregate gross amount of such payments which are due to the eligible employees is paid to the Buyer not less than 30 days after receipt of the Updated Awards Schedule (such date to be notified to the Seller when the Buyer sends the Updated Awards Schedule) Conditional upon receipt of such sum, the Buyer shall be required to pay to the relevant eligible employees the amount due to them in accordance with the terms of the Cash Award Letter and the Cash Awards Schedule, and provide a note in the relevant payslip (or other document provided at the same time as the payslip) of each eligible employee that such amounts were funded by the Seller together with a payroll record to the Seller showing that such payments have been made; and
  - (iii) if any employee in respect of which the Seller has made a payment pursuant to Clause 11.5(d)(ii) is no longer entitled to receive a Post Completion Cash Award by the time the relevant employee is due to be paid such amount, the Buyer shall promptly refund the relevant amount to the Seller.
- (e) The Buyer shall be responsible for withholding income tax and/or employee's national insurance contributions (or any similar liability), to be accounted for to the revenue authorities in any jurisdiction, resulting from, or otherwise in connection with the Post Completion Cash Awards together with any other Tax payable in relation to the same (including, for the avoidance of doubt, any employer's national insurance contributions), and shall procure that any liability to Tax arising in connection with the payment of the Post-Completion Cash Awards is settled with the relevant Tax Authority within the relevant time limits.

#### 11.6 **Outstanding Receivables**

- (a) If any amounts in relation to the Outstanding Receivables are overdue, the Buyer shall, to the extent reasonably requested by the Seller within 12 months of the date the relevant Outstanding Receivable is due and payable (as at the date of this Agreement) and provided there is in the opinion of the Buyer (acting reasonably) a reasonable prospect of recovery, then take all reasonable steps to enforce the rights of the relevant Group Company to recover amounts from the relevant counterparties in relation to the Outstanding Receivables.

- (b) The Buyer shall procure that the Group manages the contracts which are the subject of the Outstanding Receivables in the ordinary course of business and in a manner which is consistent with the way the Group deals with other debtors. If the Buyer or any Group Company receives any payment in respect of the Outstanding Receivables (whether by way of cash, credit, set-off or any other non-cash benefit)), the Buyer must promptly pay such amount (or the equivalent of such amount) to the Seller.
- (c) In the event the Seller, pursuant to Clause 11.6(a), requests the Buyer to enforce the rights of a relevant Group Company to recover amounts from the relevant counterparties in relation to the Outstanding Receivables:
  - (i) the Seller shall promptly pay to the Buyer (in advance) the Buyer's estimate of likely reasonably and properly incurred fees, costs and expenses of the Buyer and any Group Company in relation to such enforcement;
  - (ii) the Buyer shall not be required to take any action to enforce the rights of a relevant Group Company to recover amounts from the relevant counterparties in relation to the Outstanding Receivables before such amounts are agreed and paid by the Seller;
  - (iii) following completion of any action taken by the Buyer to enforce the rights of a relevant Group Company to recover amounts from the relevant counterparties in relation to the Outstanding Receivables, the Buyer shall provide to the Seller a breakdown of all reasonably and properly incurred fees, costs and expenses of the Buyer or any Group Company in relation to the action, together with documentary evidence in support of all such fees, costs and expenses;
  - (iv) in the event that the amount paid by the Seller pursuant to Clause 11.6(c)(i) exceeds the amount of reasonably and properly incurred fees, costs and expenses of the Buyer and any Group Company notified by the Buyer to the Seller in accordance with Clause 11.6(c)(iii), the Buyer shall promptly upon request refund the amount of the difference to the Seller; and
  - (v) the Buyer shall: consult with the Seller (following the Seller's written request to do so) with regards to the status of any sums due in relation to the Outstanding Receivables; keep the Seller informed as to any material developments and the conduct of any enforcement proceedings relating to the Outstanding Receivables; and comply promptly with any reasonable requests for information made about the Outstanding Receivable and any proceedings related to the same.

## 12 RESTRICTIVE COVENANTS

### 12.1 Definitions

In this Clause 12 (*Restrictive covenants*):

- (a) each of the following words and expressions shall have the following meanings:

- (i) **"Competing Business"** the operation of a business which generates in excess of 50% of its revenues (in any applicable accounting period) from Insurance Brokerage Services;
  - (ii) **"Insurance Brokerage Services"** acting as broker of newly/originally issued insurance products between corporate entities seeking to insure commercial risk and the insurers / re-insurers of such risks;
  - (iii) **"Recognised Stock Exchange"** has the meaning given to it in section 1137 of the CTA 2010;
  - (iv) **"Restricted Parties"** means BGC Partners and its Subsidiaries or subsidiary undertakings; and
  - (v) **"Restriction Period"** means the period of three years following Completion; and
- (b) references to acting directly or indirectly include (without prejudice to the generality of that expression) acting alone or on behalf of any other person or jointly with or through or by means of any other person.

## 12.2 **Competition**

The Seller covenants with the Buyer that during the Restriction Period, no Restricted Party shall directly or indirectly carry on or be engaged or interested in a Competing Business save that it may hold for investment up to 5% of any class of securities quoted or dealt in on a Recognised Stock Exchange. Nothing in this Clause 12.2 shall prevent any of the Restricted Parties from:

- (a) complying with an obligation existing at Completion or doing anything required by applicable Law or the rules of any securities exchange or of a Regulatory Authority;
- (b) the operation of any Competing Business (including the provision of working capital required by such Competing Business as long as such provision does not result in a change of control whereby control is conferred, sole or jointly with another party, on one or more Restricted Parties) which any Restricted Party was directly or indirectly engaged or interested in at Completion; or
- (c) at any time acquiring as an incidental part of a larger acquisition an interest in a business which is a Competing Business, provided that such Competing Business does not constitute more than 25% of the net asset value of the total business acquired as part of the relevant acquisition.

## 12.3 **Employees**

The Seller covenants with the Buyer that during the Restriction Period, no Restricted Party shall directly or indirectly solicit or entice away or endeavour to solicit or entice away or knowingly cause to be solicited or enticed away from any Group Company any Employee (whether or not such person would commit a breach of his contract of employment or engagement by reason of leaving), provided that:

- (a) the provisions of this Clause 12.3 shall lapse and cease to apply to any Employee whose employment ceases with the Group for any reason (save in connection with any breach of this Clause 12.3) after Completion; and

- (b) this Clause 12.3 shall not prevent any Restricted Party from placing a general advertisement for the recruitment of personnel or the engagement of any consultant and engaging any person as an employee or consultant who responds to it.

#### 12.4 **Severability**

Each of the restrictions set out in Clauses 12.2(a), 12.2(b), 12.2(c), 12.3(a) and 12.3(b) of this Agreement is separate and severable and, in the event of any such restriction (including the defined expressions in Clause 12.1(a)(i), Clause 12.1(a)(ii), Clause 12.1(a)(iii), Clause 12.1(a)(iv) and Clause 12.1(a)(v)) being determined as unenforceable in whole or in part for any reason, such unenforceability shall not affect the enforceability of the remaining restrictions or, in the case of part of a restriction being unenforceable, the remainder of that restriction.

#### 12.5 **Benefit of restrictions**

The restrictions entered into by the Restricted Parties in Clause 12.2 and Clause 12.3, are given to the Buyer for itself and for each other member of the Buyer's Group. The rights of each member of the Buyer's Group (other than the Buyer) under this Clause are subject to the provisions of Clause 25 (*Third party rights*).

### 13 **BUYER GUARANTEE**

- 13.1 In consideration of the entry of the Seller into this Agreement, the Buyer Guarantor irrevocably and unconditionally as primary obligor undertakes and guarantees to the Seller on demand the performance by the Buyer of all its obligations in respect of the Transaction Documents, including the due and punctual payment of all sums now or subsequently payable by the Buyer to the Seller under this Agreement.
- 13.2 If the Buyer defaults in the performance of any obligations under any of the Transaction Documents, including the due and punctual payment of any sums now or subsequently payable by the Buyer to the Seller under this Agreement, the Buyer Guarantor shall on demand perform (or procure the performance of) that obligation, so that the same benefits shall be conferred on the Seller as would have been received if the Buyer had duly performed that obligation and indemnify the Seller on demand from and against all Losses suffered or incurred by the Seller as a result or in connection with any such default by Buyer in the performance of its obligations.
- 13.3 The obligations and liabilities of the Buyer Guarantor in this Clause 13 are continuing obligations and liabilities which shall remain in force until all the payment obligations of the Buyer under the Transaction Documents have been performed.
- 13.4 The obligations of the Buyer Guarantor under this Clause 13 shall not be affected by anything which, but for this Clause 13, might operate to release or otherwise exonerate it from or affect its obligations.
- 13.5 The obligations and liabilities contained in this Clause 13 may be enforced without the Seller first taking any action against the Buyer.
- 13.6 The Seller may make one or more demands under this Clause 13.

14 **SELLER GUARANTEE**

- 14.1 In consideration of the entry of the Buyer into this Agreement, the Seller Guarantor irrevocably and unconditionally as primary obligor undertakes and guarantees to the Buyer on demand the performance by the Seller of all its obligations in respect of this Agreement, including the due and punctual payment of all sums now or subsequently payable by the Seller to the Buyer under this Agreement.
- 14.2 If the Seller defaults in the performance of any obligations under this Agreement, including the due and punctual payment of any sums now or subsequently payable by the Seller to the Buyer under this Agreement, the Seller Guarantor shall on demand perform (or procure the performance of) that obligation, so that the same benefits shall be conferred on the Buyer as would have been received if the Seller had duly performed that obligation and indemnify the Buyer on demand from and against all Losses suffered or incurred by the Buyer as a result or in connection with any such default by Seller in the performance of its obligations.
- 14.3 The obligations and liabilities of the Seller Guarantor in this Clause 14 are continuing obligations and liabilities which shall remain in force until all the obligations of the Seller under this Agreement have been performed.
- 14.4 The obligations of the Seller Guarantor under this Clause 14 shall not be affected by anything which, but for this Clause 14, might operate to release or otherwise exonerate it from or affect its obligations.
- 14.5 The obligations and liabilities contained in this Clause 14 may be enforced without the Buyer first taking any action against the Seller.
- 14.6 The Buyer may make one or more demands under this Clause 14.
- 14.7 The Seller shall ensure that it maintains sufficient assets so as to satisfy its actual or potential obligations under the Deed of Indemnity.

15 **ANNOUNCEMENTS AND CONFIDENTIALITY**

- 15.1 Subject to the following provisions of this Clause 15 (*Announcements and confidentiality*), no announcement shall be made in relation to this Agreement or the Transaction Documents unless:
- (a) it is in the agreed form; or
  - (b) it is required to be made by applicable Law or by any securities exchange or regulatory or governmental body to which a party or its Affiliates is subject, in which case that party shall to the extent reasonably practicable consult with the other party as to the form, content and timing of the announcement.
- 15.2 Nothing in this Agreement shall restrict the Buyer after Completion from communicating with the Employees of any Group Company, any parties to any contract made with any Group Company and with any current or prospective customer of or supplier to any Group Company in relation to the fact of the acquisition of any Group Company or matters incidental to the future operations of any business of any Group Company.
- 15.3 Nothing in this Agreement shall restrict the Seller after Completion from communicating with the employees of any member of the Seller's Group, any parties to any contract made with any member of the Seller's Group or with any

current or prospective customer or supplier to any member of the Seller's Group in relation to the fact of the disposal of any Group Company.

- 15.4 The parties shall not, and shall procure that none of their respective Affiliates shall, disclose or otherwise make use of (and shall use all reasonable endeavours to prevent the publication or disclosure of) any Confidential Information, unless and then only to the extent that disclosure is:
- (a) pursuant to the terms of this Agreement; or
  - (b) made by a party to any of its Affiliates or to its and their respective directors, officers, employees and agents, to the extent required to enable such party to enforce its rights or carry out its obligations under this Agreement and who shall in each case be made aware by such party of its obligations under this Clause and shall be required by such party to observe the same restrictions on the use of Confidential Information as are contained in this Clause 15.4; or
  - (c) made by a party on a confidential basis to its professional advisers in connection with their provision of professional services; or
  - (d) made by the Buyer on a confidential basis to any insurer or broker in connection with the W&I Policy; or
  - (e) made by a party on a confidential basis to its (or any of its Affiliates') financiers or potential financiers in connection with their financing or refinancing arrangements; or
  - (f) required by a party (or any of its Affiliates') in connection with an application for a Tax clearance, grant or other concession; or
  - (g) made to a Tax Authority to the extent reasonably required for the purposes of the Tax affairs of the party concerned or a member of its group; or
  - (h) made under the terms of an announcement permitted by this Agreement; or
  - (i) required to be made by applicable Law or by any securities exchange or regulatory or governmental body to which the disclosing party (or any of its Affiliates) is subject provided that it shall (to the extent permitted) promptly notify the other party of this fact and take into account their reasonable requirements as to the timing, content and manner of making such disclosure; or
  - (j) restricted to information which at the time of disclosure is in the public domain (other than as a result of a breach by the disclosing party or any member of its Group of any of the Transaction Documents).
- 15.5 To the extent that the Seller or any member of the Seller's Group is required to make a copy of this Agreement or the Deed of Indemnity publicly available in connection with the disclosure obligations of the Seller Guarantor as a NASDAQ listed company or otherwise, the Seller shall consult with, and take into consideration the reasonable requests of the Buyer in relation to such disclosure (including in relation to any redactions), provided always that the Seller shall not be required to procure that any amendments or redactions are made which would result in its being in breach of any relevant securities Laws.

16 **ASSIGNMENT**

- 16.1 This Agreement shall be binding on and inure for the benefit of the successors and permitted assigns of the parties.
- 16.2 Subject to Clauses 16.3 and 16.4, neither party may without the written consent of the other assign, transfer, grant any security interest over or hold on trust any of its rights or obligations under this Agreement or any interest in them.
- 16.3 The Buyer may without the consent of any Seller Party:
- (a) assign all or any of its rights under this Agreement to any member of the Buyer's Group provided that before ceasing to be a member of the Buyer's Group any assignee shall assign all assigned rights back to the Buyer or another member of the Buyer's Group; and
  - (b) charge and/or assign all or any of its rights under this Agreement to any person by way of security for borrowings.
- 16.4 The Seller may without the consent of the Buyer assign all or any of its rights under this Agreement to any member of the Seller's Group provided that before ceasing to be a member of the Seller's Group any assignee shall assign all assigned rights back to the Seller or another member of the Seller's Group.
- 16.5 In relation to any assignment under Clauses 16.3 and 16.4:
- (a) the assignor shall notify the other party as soon as reasonably practicable (and in any event within two Business Days) of the assignment;
  - (b) any assignee shall not be entitled to receive under this Agreement any greater benefit than the assignor would have been entitled to under this Agreement, and no party shall incur any increase in liability under this Agreement which would not have occurred but for the assignment; and
  - (c) if an obligation to assign back rights has arisen, no person shall be entitled to exercise the rights in question until such assignment has been completed as required.

17 **ENTIRE AGREEMENT**

- 17.1 The Transaction Documents contain the entire agreement between the parties, and replace all previous agreements and understandings between them, relating to their subject matter.
- 17.2 The parties agree that no representations, warranties, undertakings or promises have been expressly or impliedly given in respect of the subject matter of the Transaction Documents, and they are not relying on any representation, warranty, undertaking or promise, other than those which are expressly stated in a Transaction Documents.
- 17.3 Other than in relation to a statement made fraudulently:
- (a) neither party shall have any right or remedy in respect of any statement (whether negligent or innocent) not set out in the Transaction Documents upon which it relied in entering into the Transaction Documents; and
  - (b) the only right or remedy that a party shall have in connection with the Transaction Documents (including for any statement repeated or deemed



made in it, whether negligent or innocent) shall be for breach of contract and neither party shall be entitled to rescind or (except as otherwise expressly provided in this Agreement) terminate this Agreement nor shall they have the right to bring a claim in tort or under the Misrepresentation Act 1967 in connection with the Transaction Documents.

- 17.4 Any terms or conditions which may be implied by Law in relation to the Transaction are excluded to the fullest extent permitted by Law or, if and to the extent incapable of exclusion, any right or remedy in relation to them is irrevocably waived.

18 **NON-RECOURSE**

- 18.1 Any claim under or in connection with a Transaction Document (including its negotiation or performance) may be made only against the persons expressly identified as parties in the preamble to that Transaction Document (each such person being, in relation to the relevant document, a "**Transaction Party**").

- 18.2 To the maximum extent permitted by applicable law, any person who is not a Transaction Party in relation to a Transaction Document (including any shareholder, director, officer, employee, agent or adviser to any Transaction Party) (each a "**Non-Party**"), shall not have any liability under or in connection with that document (including its negotiation or performance, or in connection with the Warranties or any facts, matters or circumstances which may or might have been disclosed) and the parties hereby waive and release, and undertake to procure the release and waiver by any Affiliate of it (including in the case of the Buyer, each member of the Group) of, all claims against and liabilities of any Non-Party.

19 **FURTHER ASSURANCE**

Each party shall from Completion at the cost of the requesting party execute any document and do anything else that the requesting party reasonably required to give effect to the transfer of the Shares provided for in this Agreement.

20 **COSTS**

Except as provided otherwise in any Transaction Document, each party shall pay the costs and expenses incurred by it in connection with the Transaction Documents.

21 **TERMINATION**

- 21.1 Subject to Clause 21.2, this Agreement shall automatically terminate with immediate effect and each party's rights and obligations shall cease to have force and effect:

- (a) if, before Completion, a Material Adverse Change has occurred and the Buyer gives notice to the Seller that it wishes to terminate this Agreement;
- (b) in the circumstances contemplated by Clause 4.11 or Clause 4.15; or
- (c) if the Buyer or the Seller gives notice to the other pursuant to Clause 6.4(c).

- 21.2 If this Agreement is terminated or terminates in accordance with Clause 21.1:

- (a) no party shall have any claim under this Agreement except in respect of any rights and liabilities which have accrued in consequence of a breach of

this Agreement before termination or under any of the Surviving Provisions; and

- (b) the Surviving Provisions and any other provisions which expressly or by implication are necessary for the enforcement or interpretation of this Agreement shall survive termination.

## 22 PAYMENTS

22.1 All sums payable under or pursuant to this Agreement shall be paid free of:

- (a) any counterclaim or set-off of any kind; or
- (b) any other deduction or withholding, except those required by Law.

22.2 If any deductions or withholdings from payments (other than any payment in respect of the Consideration, Clause 8 (*Seller Indemnities*), or Clause 11.4 (*Pensions*)) made by a Party (the "**Payor**") to the other Party under this Agreement are required by law, or any such payments are liable for Taxation, or would have been liable for Taxation but for the utilisation of any Tax relief in respect of such liability, the Payor be liable to pay to the recipient such further sums as shall be required to ensure that the net amount received by the recipient will equal the full amount which would have been received under the relevant provisions of this Agreement in the absence of any such deductions, withholdings or Taxation liabilities.

22.3 Any payment required to be made pursuant to this Agreement shall be effected by crediting for same day value the account specified in this Agreement (or such other account in the UK as the party may notify to the other on no less than two Business Days' notice) by way of electronic transfer on or before the due day for payment. If a party defaults in making payment when due of any sum payable under this Agreement, its liability shall be increased to include interest on that sum from the date when payment was due until the date of actual payment (after as well as before judgment) at 3% above the official bank rate of the Bank of England in force from time to time. The interest payable shall accrue from day to day.

22.4 Any payment by the Seller in respect of a claim under the Warranties or otherwise made pursuant to this Agreement shall, to the fullest extent permissible by Law, be treated as reducing the Consideration paid by the Buyer and received by the Seller for the Shares.

22.5 The receipt by the Seller's Solicitors of the Consideration payable under paragraph 1(a) of Part 2 of Schedule 4 shall discharge the Buyer's obligation to pay that sum.

22.6 Clause 22.2 shall not apply to the extent that the deduction, withholding or Tax would not have arisen but for:

- (a) the recipient not being tax resident in the UK; or
- (b) an assignment by a party of its rights under this Agreement, but only to the extent:
  - (i) that the deduction, withholding or Tax are greater than the deductions, withholdings or Tax which would have arisen had no such assignment taken place; or

- (ii) the payment is taxable as income in the hands of the relevant assignee provided that this Clause 22.6(b)(ii) shall not apply to restrict the effect of Clause 22.2 where the relevant payment would have been taxable as income in the hands of the recipient.

## 23 **VAT GROUP LIABILITIES AND PAYMENT ARRANGEMENTS**

- 23.1 With regard to VAT (and without prejudice to the rights of the Purchaser to make any claim under this Agreement or the Management Warranty Deed), the Seller shall procure that an application is made to HM Revenue & Customs ("**HMRC**") pursuant to Section 43B of the VATA 1994 for the exclusion of each Group Company which is a member of the Seller's VAT Group from that VAT group registration and for the exclusion to take effect no later than the date of Completion.
- 23.2 The Seller covenants with the Buyer that it will pay to the Buyer on demand an amount equal to any liability (including where such liability is relieved by way of Tax relief) for Tax (together with any interest and penalties thereon) of any of the Group Companies for which the relevant Group Company is liable where such liability relates to or arises in respect of Tax for which any member of the Seller's Group is primarily liable or which is primarily attributable to that person but is chargeable on the relevant Group Company as a result of, or by reference to, such Group Company having been at any time prior to or at Completion in the Seller's VAT Group.

## 24 **EFFECT OF COMPLETION**

Obligations under this Agreement which have not been fully performed by or on Completion and the rights and remedies available under it shall remain in full force and effect despite Completion.

## 25 **THIRD PARTY RIGHTS**

- 25.1 The parties do not intend any third party to have the right to enforce any provision of this Agreement under the Contracts (Rights of Third Parties) Act 1999 save for:
  - (a) the rights of each Group Company and of any director, Employee, agent or officer of each Group Company to enforce the provisions of Clause 7.4; and
  - (b) the rights of each member of the Buyer's Group (other than the Buyer) to enforce the provisions of Clause 8 (*Seller Indemnities*) and Clause 12 (*Restrictive covenants*).
- 25.2 The parties may terminate or vary or waive any right or obligation under this Agreement without the consent of any third party.

## 26 **WAIVER**

A failure or delay in exercising any right or remedy under this Agreement shall not constitute a waiver of that right or remedy. A single or partial exercise of any right or remedy shall not prevent the further exercise of that right or remedy. A waiver of a breach of this Agreement shall not constitute a waiver of any other breach.

## 27 **VARIATIONS**

No variation of this Agreement or any Transaction Document shall be effective unless it is in writing and signed by or on behalf of each party.

28 **INVALIDITY**

The illegality, invalidity or unenforceability of any provision of this Agreement (in whole or in part) under any law of any jurisdiction shall not affect or impair the legality, validity or enforceability of the rest of this Agreement, nor the legality, validity or enforceability of that provision under the law of any other jurisdiction.

29 **COMMUNICATIONS**

29.1 Any communication under or in connection with this Agreement must be in English, in writing, signed by or on behalf of the person making it and delivered by hand or sent by recorded delivery, post (or airmail, if the destination is outside the country of origin), or email to the relevant party at its address and for the attention of the individual set out below (or as notified in accordance with this Clause 29 (*Communications*)).

(a) The Buyer

Address: 2 Minster Court, Mincing Lane, London, EC3R 7PD

Email address: antony.erotocritou@ardonaghspecialty.com

Attention: Antony Erotocritou

With a copy to: Geoff Gouriet, General Counsel, The Ardonagh Group Limited,

Address: 2 Minster Court, Mincing Lane, London, EC3R 7PD

Email address: Geoff.gouriet@ardonagh.com

(b) The Buyer Guarantor

Address: 2 Minster Court, Mincing Lane, London, EC3R 7PD

Email address: Geoff.gouriet@ardonagh.com

Attention: Geoff Gouriet, General Counsel

(c) The Seller

Address: 5 Churchill Place, Canary Wharf, London, United Kingdom, E14 5RD

Email address: #London-Legal@bgcpartners.com and JLightbourne@bgcpartners.com

Attention: General Counsel

(d) The Seller Guarantor

Address: 499 Park Avenue, New York, NY 10022, USA

Email address: #London-Legal@bgcpartners.com and JLightbourne@bgcpartners.com

Attention: General Counsel

29.2 A party may notify a change to its details specified in Clause 29.1. The new address shall take effect two Business Days after receipt of that notice or such later date as may be specified in the notice.

29.3 Without evidence of earlier receipt, communications complying with Clause 29.1 are deemed received:

- (a) if delivered by hand, at the time of delivery; or
- (b) if sent by "Special Delivery 9.00am/Next Day" or "Recorded Signed For" delivery, at 9.00am on the second Business Day after posting, or (if sent by airmail) fifth, Business Day after posting; or
- (c) if sent by email, at the earlier of:
  - (i) the time a return receipt is generated automatically by the recipient's email server;
  - (ii) the time the recipient acknowledges receipt; and
  - (iii) 24 hours after transmission (save with regards to a notice given pursuant to Clause 5.8(c) which shall be deemed to be received one hour after transmission (or at 9.00am on the next day, whichever is the later).

unless the sender receives notification that the email has not been successfully delivered, except that if deemed receipt would occur before 9.00am on a Business Day, it shall instead be deemed to occur at 9.00am on that day and if deemed receipt would occur after 5.00pm on a Business Day, or on a day which is not a Business Day, it shall instead be deemed to occur at 9.00am on the next Business Day. References in this Clause 29 (*Communications*) to a time of day are to the time of day at the location of the recipient.

29.4 In proving the giving of a communication, it shall be sufficient to prove that delivery was made to the appropriate address, the communication was properly addressed and posted by prepaid recorded delivery post or prepaid airmail, or the email was sent to the appropriate email address and dispatch of transmission from the sender's external gateway was confirmed as specified pursuant to Clause .

29.5 If a person for whose attention communications must be marked or copied has been specified pursuant to Clause 29.1, a communication will be effective only if it is marked for that person's attention or copied to that person (as the case may be).

29.6 This Clause 29 (*Communications*) does not apply to the service of any document required to be served in relation to legal proceedings.

### 30 COUNTERPARTS

This Agreement may be executed in any number of counterparts, which shall each constitute an original and together constitute one agreement. If this Agreement is executed in counterpart, it shall not be effective unless each party has executed at least one counterpart. Facsimile, pdf or other electronic signatures shall be valid and binding to the same extent as original "wet ink" signatures.

31      **GOVERNING LAW AND JURISDICTION**

- 31.1      This Agreement and any non-contractual obligations arising in connection with it (and, unless provided otherwise, any document entered into in connection with it) shall be governed by and construed in accordance with English law.
- 31.2      The English courts have exclusive jurisdiction to determine any dispute arising in connection with this Agreement (and, unless provided otherwise, any document entered into in connection with it), including disputes relating to any non-contractual obligations.
- 31.3      Each party irrevocably waives any objection which it may now or later have to proceedings being brought in the English courts (on the grounds that the English courts are not a convenient forum or otherwise).
- 31.4      Nothing in this Agreement (or, unless provided otherwise, any document entered into in connection with it) shall prevent a party from applying to the courts of any other country for injunctive or other interim relief.

**Signed by the duly authorised representatives of the parties on the date of this Agreement**

**Schedule 1**  
**Details of the Group Companies**

[REDACTED]

**Schedule 2**  
**Reserved Matters**

1. Issue, or grant any option in respect of, any share or loan capital.
2. Vary its share capital or the rights attaching to it in any way (save pursuant to the Seller Restructuring).
3. Declare, make or pay any dividend or other distribution other than to another Group Company unless such distribution is made with a resulting deduction of Cash being reflected in the Completion Accounts and does not result in a reduction in the working capital of any Group Company below the amount required for the Group Company to operate its business in the ordinary course.
4. Create, extend, grant or issue a new mortgage, charge, debenture or other Encumbrance over any material asset (other than those arising in the ordinary course of business or by operation of Law).
5. Acquire or dispose of any shares or any other interest in any body corporate or, outside of the ordinary course of business, any material assets (being assets with an individual value in excess of £250,000 (or the equivalent in the relevant currency)), business or undertakings, save pursuant to the Seller Restructuring.
6. Pass any resolution by its members in general meeting which are outside of the ordinary course of business or make any alteration to its articles of association.
7. Enter into, vary or terminate any contract, liability or commitment which is outside of the ordinary course of business and is likely to (having regard to the terms of that agreement) involve expenditure or liability which exceeds £250,000 (or the equivalent in the relevant currency) except for (i) the renewal of any existing contracts on substantially similar terms, and (ii) arranging the removal of the Group from any Seller Group contractual arrangements with effect from Completion which are necessitated by the removal of the Group from Seller's Group at Completion (including, without limitation, any inter-group agreements relating to data sharing arrangements and shared services arrangements), provided such removal does not (x) result in a Group Company incurring any costs, expenses, fees or charges payable to a member of the Seller's Group (other than the payment of any ordinary course outstanding shared services payment for services previously rendered), or (y) prevent any Group Company from operating its business in the ordinary course prior to Completion.
8. Other than in relation to (i) the Seller Restructuring, (ii) repayment of any other inter-group loans, or (iii) obtaining inter-group financing for working capital requirements: repay before the stated repayment date, acquire, redeem or create any borrowings or other indebtedness or obligation in the nature of borrowings (including obligations pursuant to any debenture, bond, note, loan stock or other security and obligations pursuant to finance leases) in excess of £250,000, other than borrowings in the ordinary course of business or under facilities available to it at the date of this Agreement which have been disclosed to the Buyer.
9. Other than in the ordinary course of business or to another Group Company, give any new guarantee or indemnity in relation to, or assume any of, the obligations or liabilities of any other person.
10. Other than in the ordinary course of business: (i) make any advance, loan or deposit of money or (ii) cancel, release or assign any indebtedness owed to it.
11. Make, or agree to make, any new capital commitments or expenditure exceeding £250,000 (or the equivalent in the relevant currency, other than in the ordinary course of business).
12. Acquire any interest in material real property or enter into or terminate or fail to renew any material lease of real property.



13. Materially breach any covenants on its part that are contained in any lease or licence of any material real property held or occupied by it.
14. Enter into, amend the terms of, or terminate any material partnership, joint venture or other profit sharing agreement, provided that a counterparty's termination of such an agreement shall not be a breach of this paragraph.
15. Cease using any material trading name, logo or trade marks used regularly by the Group at the date of this Agreement.
16. Fail to take any reasonable action to defend or preserve any material Intellectual Property owned by the Group (where the Seller or any Group Company has actual knowledge of the need to take steps to preserve or defend the same).
17. Commence any litigation in respect of a claim for more than £750,000 (or the equivalent in the relevant currency) or settle, compromise or admit liability with respect to any claim with a value of more than £750,000 (or the equivalent in the relevant currency) (in each case other than in connection with routine debt collection).
18. Make any material change to the terms and conditions of employment (contractual or non-contractual) of any Employee whose salary exceeds £175,000 per annum (or the part time equivalent) or any director, provided that a counterparty's termination of such an agreement in the ordinary course of business shall not be a breach of this paragraph.
19. Other than bonuses paid in line with previous practice and in accordance with the terms of an Employee's employment agreement, pay any bonuses in excess of £175,000 to any Employee or officer of a Group Company, or to any spouse or family member of any such Employee or officer, or to any trust to which any such person is the beneficiary.
20. Other than in the ordinary course of business, dismiss any of its Employees or directors whose salary exceeds £175,000 per annum (or the part time equivalent) or employ or engage (or offer to employ or engage) any person whose salary exceeds £175,000 per annum (or the part time equivalent).
21. Create any new or materially amend any Employee share scheme (save with regards to any changes which are required pursuant to the Transaction).
22. Adopt or participate in any pension scheme (other than its existing pension schemes) or materially amend any of its existing pension schemes or materially vary or cease contributions made to any such scheme (other than in accordance with its terms or the instructions or election of (or pursuant to a contractual obligation owed to) a participant to such scheme and excluding any routine administrative amendments initiated by the relevant pension provider).
23. Other than in the ordinary course of business, cancel, fail to renew or replace or vary (other than on renewal on substantially the same terms if commercially available) any terms of any of its material policies of insurance, knowingly take any action which invalidates any of its material policies of insurance or take out any additional or replacement policies of insurance (other than renewals of the policies of insurance on substantially the same terms (if commercially available) as those in force at the date of this Agreement).
24. Make any proposal for the voluntary winding up or voluntary liquidation of any Group Company (other than any company which may be dormant at the date hereof).
25. Initiate any scheme or plan of arrangement, reconstruction, amalgamation or demerger.
26. Save where the impact of any such action is immaterial to the Group, make, revoke or change any Tax election, adopt or change any Tax accounting method, practice or period, grant or request a waiver or extension of any limitation on the period for audit

and examination or assessment and collection of Tax, file any amended tax return or settle or compromise any contested Tax liability.

27. Change its residence for any Tax purpose or establish a branch or permanent establishment or other taxable presence in any jurisdiction other than its jurisdiction of incorporation.
28. Change its auditors or make any material change to its accounting practices or policies, except where such change is recommended by its auditors as a consequence of a change in generally accepted accounting practices or policies applicable to companies carrying on businesses of a similar nature, or as a consequence of a change in law, or change its accounting reference date.
29. Enter into (or commit to enter into) any contract or arrangement with any individual (whether directly or indirectly) which has a fixed term of more than 3 years.

**Schedule 3**  
**Adjustments to Consideration**

**Part A**

**1 INTERPRETATION**

For the purposes of this Schedule 3, the following additional terms are defined:

**79 "Accounting Policies"** means the accounting principles, bases, conventions, rules and estimation techniques set out or referred to and applied in the order of priority set out in Part B of Schedule 3;

**80 "Accounts"** means the unaudited, aggregated trial balances of the Group Companies, as at and for the financial period ended on the Accounts Date as disclosed;

**81 "Accounts Date"** means 31 December 2020;

**82 "Buyer's Accountants"** means such accountants as the Buyer may from time to time nominate to act on the Buyer's behalf in connection with the Completion Accounts;

**83 "Cash"** means, in respect of the Group, the aggregate amount of all:

- (a) cash at bank and cash in hand per the reconciled cash book;
- (b) any additional items required to be included in Cash in accordance with Part B of Schedule 3 (*Accounting policies*); and
- (c) any amounts which may have been accounted for as trapped or restricted cash which are in excess of the Deductible Trapped Cash Amount,

**84** in each case as at the Effective Time and calculated in accordance with, and on the basis of, the Accounting Policies, but in any case excluding the Deductible Trapped Cash Amount;

**85 "Completion Accounts"** means the consolidated balance sheet of the Group as at the Effective Time prepared in accordance with the Accounting Policies and in the form of the Pro-Forma Balance Sheet, which for the avoidance of doubt is not required to be audited nor prepared to an audit standard;

**86 "Completion Statement"** means the statement of the Enterprise Value, Cash, Debt, Target Working Capital and Working Capital, as determined in accordance with the Completion Accounts (as applicable), together with the resulting calculation of the Final Consideration, in the form set out the Pro-Forma Completion Statement;

**87 "Debt"** means in respect of the Group, the aggregate amount of indebtedness of the Group as at the Effective Time (or in respect of item (l) below, as at Completion) which arises as a result of any of the foregoing:

- (a) for borrowed monies from banks or other persons (including any intercompany balances payable by any Group Company to the Seller's Group) and other financial indebtedness in the nature of borrowing;
- (b) liabilities under all interest and non-interest bearing borrowings or other financing liabilities or obligations, overdrafts, credit facilities, revolving facilities and any other liabilities in the nature of borrowed money (whether

secured or unsecured) from any bank, financial institution, or other entity or person;

- (c) all reimbursement or payment obligations with respect to letters of credit, bills, bonds, notes, debentures or loan stock and other similar instruments;
- (d) all obligations evidenced by notes, bonds or similar instruments whether convertible or not, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses;
- (e) all obligations or liabilities in respect of the purchase price of any (i) assets which have been acquired in connection with the acquisition of a business as a going concern or (ii) shares (or similar securities) in a corporate vehicle, but excluding trade payables entered into in the ordinary course of business (which for the avoidance of doubt shall be included in Working Capital);
- (f) any transaction costs and bonuses (including retention bonuses, long term incentive plans or similar) related to or crystallising as a result of the Transaction (including employer's national insurance and any other related taxes thereon);
- (g) all net cash payment obligations under swaps, options, derivatives and other hedging agreements or arrangements which are owed to third parties (being entities which are not members of the Seller's Group) that will be payable upon termination thereof (assuming they were terminated on the Effective Time);
- (h) any obligations in respect of dividends declared or other distributions (other than to another Group Company) to the extent unpaid at the Effective Time;
- (i) any accrued but unpaid obligations to pay corporation tax which relate to the period prior to the Effective Time;
- (j) any amounts due or payable to any directors of any Group Company by way of director loans;
- (k) any obligations in respect of litigation claims which are first notified to a Group Company between the date of execution of this Agreement and the Completion Date to the extent not covered by error and omission insurance or the W&I Policy (including any accrued third party costs, charges and expenses, whether or not payable), in each case (i) to the extent such claim has been agreed or determined as payable by a competent court or arbitral tribunal prior to the time that the Draft Documents are delivered by the Buyer to the Seller in accordance with paragraph 3.2 of Part A of Schedule 3 and is unpaid prior to the Effective Time the amount to be included as Debt shall be the amount agreed or determined; (ii) to the extent such claim has not been so agreed or determined prior to such time, the claim shall be assessed using the same accounting principles, policies, procedures, methods, practices and techniques (including in respect of the exercise of management judgment) actually applied in the preparation of the Accounts; (iii) excluding any amounts which are excluded from the Completion Accounts in accordance with paragraph of Part B of Schedule 3;
- (l) the following liabilities or costs suffered or incurred by any Group Company prior to Completion in respect of the Indemnified Matter (as defined in the

Deed of Indemnity): (i) to the extent the Indemnified Matter is agreed or determined as payable by a competent court or arbitral tribunal and such amount is unpaid prior to Completion, the amount agreed or determined; (ii) any accrued obligations in respect of third party costs, charges and expenses in relation to the Indemnified Matter, whether or not payable; and (iii) any liability to Tax in relation to the Indemnified Matter or in relation to any such third party costs, charges and expenses;

- (m) any Non-Current Liabilities to the extent such liabilities are required to be recognised on a balance sheet in accordance with UK GAAP using the same accounting principles, policies, procedures, methods, practices and techniques (including in respect of the exercise of management judgment) actually applied in the preparation of the Accounts but excluding any items specifically referred to in paragraphs (a) to (l) above; and
- (n) any additional items required to be included in Debt in accordance with Part B of Schedule 3 (Accounting policies),

in each case, together with any interest accrued and any penalties, fees, premium, expenses or breakage costs incurred in connection with the repayment of such indebtedness as at the Effective Time and calculated in accordance with, and on the basis of, the Accounting Policies, but in any case excluding any unamortised debt issuance costs;

**88 "Deductible Trapped Cash Amount"** means the fixed sum of £1,600,000;

**89 "Draft Documents"** has the meaning given in paragraph 3.1 of Part A of this Schedule 3;

**90 "Effective Time"** means immediately prior to Completion or (if Completion takes place on a date that is not the first day of a calendar month) 00.01 on the first day of the calendar month in which Completion takes place;

**91 "Exchange Rate"** means with respect to a particular currency on a particular date, the closing rate daily mid-point rate of exchange for that currency into USD\$ as set out on the website Oanda.com;

**92 "Final Consideration"** means the sum of:

- (a) the Enterprise Value;
- (b) plus an amount equal to Cash;
- (c) minus an amount equal to Debt;
- (d) plus the amount by which the Working Capital exceeds the Target Working Capital, or minus the amount by which the Working Capital is less than the Target Working Capital,

**93** in each case determined by reference to the Completion Accounts (as applicable);

**"Non-Current Liabilities"** means any non-current liabilities that have previously been classified as current liabilities which, by the action of the Seller outside of the ordinary course of business have had their settlement terms extended resulting in the liability being classified as non-current.

**94 "Pro-Forma Balance Sheet"** means the pro-forma balance sheet in Part C of this Schedule 3 (including the Working Capital calculations);

**95 "Pro-Forma Completion Statement"** means the pro-forma completion statement in Part D of this Schedule 3;

**96 "Seller's Accountants"** means such accountants as the Seller may from time to time nominate to act on the Seller's behalf in connection with the Completion Accounts;

**97 "Target Working Capital"** means USD\$27,770,000;

**98 "UK GAAP"** means generally accepted accounting practice in the United Kingdom (specifically Financial Reporting Standard 102) as issued or adopted by the FRC; and

**99 "Working Capital"** means, in respect of the Group as at the Effective Time, (i) the aggregate current assets less the aggregate current liabilities, and (ii) any additional items required to be included or excluded in accordance with Part B of Schedule 3 (*Accounting policies*), in each case excluding, for the avoidance of doubt, any items included in Cash or Debt, calculated in accordance with, and on the basis of, the Accounting Policies.

## 2 **ADJUSTMENTS TO CONSIDERATION**

2.1 If the Final Consideration exceeds the Estimated Consideration (the amount of such difference being the "**Excess**"), the Buyer shall pay to the Seller an amount equal to the Excess, by way of additional consideration, on the date and in the manner specified in paragraph 2.3 of Part A of this Schedule 3.

2.2 If the Final Consideration is less than the Estimated Consideration (the amount of such difference being the "**Deficit**"), the Seller shall pay to the Buyer an amount equal to the Deficit, as a repayment of consideration, on the date and in the manner specified in paragraph 2.3 of Part A of this Schedule.

2.3 Any Excess or Deficit shall become payable on the Business Day which is or immediately follows the date which is 15 Business Days after the final agreement or determination of the Completion Accounts and Completion Statement under this Schedule 3 and shall be paid by electronic transfer to the account of Seller or (as the case may be) the account of the Buyer, the details of such account(s) to be notified at least three Business Days in advance to the party making the payment by the party receiving the Excess or the Deficit (as the case may be). Any amount payable under paragraphs 2.1 or 2.2 of Part A of this Schedule 3 shall be made in full without any set off or counterclaim howsoever arising and shall be free and clear of, and without deduction of, or withholding for or on account of, any amount which is due and payable by any party to any other party under this Agreement.

2.4 If the Intragroup Indebtedness owing at the Effective Time from any member of the Group to any member of the Seller's Group as finally agreed following the finalisation of the Completion Accounts is:

- (a) greater than the amount of such Intragroup Indebtedness repaid, settled or capitalised immediately prior to Completion pursuant to paragraph 2 of Schedule 4, the Buyer shall procure that the relevant member(s) of the Group promptly pay the amount of the difference to the relevant member(s) of the Seller's Group; or

- (b) less than the amount of such Intragroup Indebtedness repaid, settled or capitalised immediately prior to Completion pursuant to paragraph 2 of Schedule 4, the Seller shall procure that the relevant member(s) of the Seller's Group promptly pay the amount of the difference to the relevant member(s) of the Group.

2.5 If the Intragroup Indebtedness owing at the Effective Time from any member of the Seller's Group to any member of the Group as finally agreed following the finalisation of the Completion Accounts is:

- (a) greater than the amount of such Intragroup Indebtedness repaid, settled or capitalised immediately prior to Completion pursuant to paragraph 2 of Schedule 4, the Seller shall procure that the relevant member(s) of the Seller's Group promptly pay the amount of the difference to the relevant member(s) of the Group; or
- (b) less than the amount of such Intragroup Indebtedness repaid, settled or capitalised immediately prior to Completion pursuant to paragraph 2 of Schedule 4, the Buyer shall procure that the relevant member(s) of the Group promptly pay the amount of the difference to the relevant member(s) of the Seller's Group.

### 3 **PREPARATION OF COMPLETION ACCOUNTS**

3.1 The Buyer shall prepare the draft Completion Accounts and the draft Completion Statement in good faith and in accordance with the Accounting Policies (the "**Draft Documents**"). The Seller shall, and shall use its reasonable endeavours to procure that the Seller's Accountants and any current or former auditors of the Group shall, provide to the Buyer and the Buyer's Accountants all reasonable assistance to prepare the Draft Documents, including access to books and records and calculations as may be reasonably requested by the Buyer and the Buyer's Accountants.

3.2 The Buyer shall deliver the Draft Documents to the Seller and the Seller's Accountants within 45 Business Days following Completion.

3.3 The Buyer shall, and shall use its reasonable endeavours to procure that the Buyer's Accountants shall, provide to the Seller and the Seller's Accountants all reasonable assistance for the Seller's review of the Draft Documents, including access to all books and records, relevant employees, calculations and working papers and providing electronic copies as may reasonably be requested by the Seller or the Seller's Accountants.

3.4 The Seller or the Seller's Accountants shall notify the Buyer in writing within 20 Business Days of receipt of the Draft Documents (such period being the "**Review Period**") stating whether the Seller disputes that the Draft Documents were prepared in accordance with this Agreement and, if they do so dispute, such written notification shall give reasonable details of each matter or item in dispute and any adjustments (including an estimated quantification of such adjustments) which, in the opinion of the Seller or the Seller's Accountants, should be made and a summary of the reasons for such adjustments (the "**Disputed Details**").

3.5 If, during the Review Period, the Seller:

- (a) serves a written notice on the Buyer confirming its agreement with the Draft Documents, such Draft Documents shall comprise the Completion Accounts and the Completion Statement for the purposes of this Agreement; or

- (b) does not serve a notice of the Disputed Details, the Draft Documents shall, with effect from expiry of the Review Period, comprise the Completion Accounts and the Completion Statement for the purposes of this Agreement and shall be binding and final on the Parties.
- 3.6 If the Seller serve a notice of the Disputed Details on the Buyer pursuant to paragraph 3.4 of this Schedule 3, then within 20 Business Days from the date of the Buyer's receipt of the Disputed Details, the Buyer may (but shall not be obliged to) submit to the Seller written notification giving reasonable details of its response to the Disputed Details (the "**Buyer Dispute Response**"). In the case of disagreement, the Seller and the Buyer shall meet and discuss the Disputed Details and the Buyer Dispute Response with a view to reaching agreement within 30 Business Days of receipt of the Buyer Dispute Response (or if no such response is submitted, within 20 Business Days after the end of the period during which the Buyer is permitted to submit a Buyer Dispute Response) on such adjustments (if any) to the Draft Documents as are acceptable to the Seller and the Buyer in order to put such draft documents in final form.
- 3.7 If the Seller is satisfied with the Draft Documents after any adjustments agreed between the Seller and the Buyer in accordance with paragraph 3.6 of this Schedule 3, then such Draft Documents shall comprise the Completion Accounts and Completion Statement for the purposes of this Agreement.
- 3.8 If the Buyer and the Seller fail for any reason to resolve any matters still in dispute either:
- (a) if the Buyer does not submit a Buyer Dispute Response, within 20 Business Days of receipt by the Buyer of the Disputed Details; or
- (b) if the Buyer submits a Buyer Dispute Response, within 20 Business Days of receipt by the Seller of the Buyer Dispute Response, either the Buyer or the Seller may, by written notice to the other, require any matters in the Disputed Details and the Buyer Dispute Response (if any) which remain in dispute to be referred to an independent accountant, who shall be a partner in an independent firm of internationally recognised chartered accountants (the "**Expert Accountant**").
- 3.9 If a notice is served by either the Seller or the Buyer pursuant to paragraph 3.8 of this Schedule 3, the Seller and the Buyer shall use their reasonable endeavours to reach agreement regarding the identity of the person to be appointed as the Expert Accountant and to agree the terms of appointment with the Expert Accountant. Neither the Seller nor the Buyer shall unreasonably withhold its agreement to the terms of appointment proposed by the other or the Expert Accountant.
- 3.10 If the Seller and the Buyer fail to agree on an Expert Accountant and/or their terms of appointment within 20 Business Days of either the Seller or the Buyer serving details of the proposed Expert Accountant on the other, then the Seller and the Buyer shall (unless they agree otherwise) promptly make a joint application to request the President for the time being of the Institute of Chartered Accountants in England and Wales to nominate the Expert Accountant and/or to agree the terms of appointment on behalf of the Seller and the Buyer (and in the absence of such joint application, either the Seller or Buyer may make a single application). In giving such direction, the Parties must instruct the President to ensure that the person selected to be the Expert Accountant:
- (a) is a UK-based person;



- (b) has significant experience of completion-accounts disputes;
  - (c) is in a position to act as the Expert Accountant; and
  - (d) is a partner in a top 10 independent firm of internationally recognised chartered accountants (other than PWC, EY or Deloitte).
- 3.11 In giving his decision, the Expert Accountant shall state what adjustments (if any) are necessary to the Draft Documents in order for them to have been prepared in accordance with this Agreement. Such Draft Documents shall, subject to and following any such adjustments, comprise the Completion Accounts and Completion Statement for the purposes of this Agreement.
- 3.12 If there is a referral to an Expert Accountant, the following provisions shall apply:
- (a) the Buyer (or the Buyer's Accountants) and the Seller (or the Seller's Accountants) shall each prepare a written statement on the matters in dispute which, together with any relevant documents, shall be submitted to the Expert Accountant and to the other Party;
  - (b) the Buyer and the Seller may submit one set of written comments on the other Party's written statement to the Expert Accountant;
  - (c) the Expert Accountant shall be directed to make his or her determination of the Final Consideration an amount that is not higher than the amount submitted by the Seller in the Disputed Details, and not lower than the amount submitted by the Buyer in the Buyer Dispute Response;
  - (d) the Expert Accountant shall act as an expert and not an arbitrator and shall be directed to determine any dispute by reference to the Accounting Policies;
  - (e) except if the Seller and the Buyer agree otherwise, the Expert Accountant shall be entitled:
    - (i) to stipulate the time period within which the Parties shall prepare and submit the written statement and written comments referred to in this paragraph 3.12 (such time period to be not more than 15 Business Days) and to disregard any written statement or written comments not delivered to the Expert Accountant within the time period so stipulated;
    - (ii) to require the Buyer and Seller and their respective accountants to attend one or more meetings and to raise enquiries of them about any matters which the Expert Accountant considers relevant;
    - (iii) in the absence of agreement between the Buyer and Seller, to determine the procedure to be followed in undertaking the expert determination, insofar as the procedure is not set out herein; and
    - (iv) to appoint advisers (including legal advisers) if required;
  - (f) the Buyer and the Seller shall cooperate with the Expert Accountant and use all reasonable endeavours to procure that the Expert Accountant is given all such assistance and access to documents and other information as he or she may reasonably require in order to make his decision;

- (g) the Expert Accountant shall be required to give his or her decision on matters in dispute arising out of the Disputed Details (and the Buyer Dispute Response, if any), with written reasons for his decision, within 30 Business Days of the date of his appointment; and
  - (h) save in the case of fraud or manifest error the decision by the Expert Accountant shall be final and binding on all concerned.
- 3.13 Subject to paragraph 3.14, each party shall bear its own costs in connection with the preparation of the Completion Accounts and the Completion Statement.
- 3.14 The costs of the Expert Accountant (including the cost for his or her appointment, his expenses and the costs of any advisers to the Expert Accountant) shall be borne by the Seller and the Buyer in such proportions as the Expert Accountant shall determine in his absolute discretion (or, in the absence of any such determination, by the Seller and the Buyer in equal amounts).
- 3.15 For the avoidance of doubt, no provision of this paragraph 3 shall apply in relation to the Estimated Completion Accounts.

**PART B**  
**ACCOUNTING POLICIES**

**1 HIERARCHY**

3.1 The Completion Accounts shall be prepared on the following basis:

- 3.1.1 first, strictly in accordance with the specific accounting policies set out in paragraph 2 of Part B of this Schedule 3 (the "**Specific Accounting Policies**");
- 3.1.2 secondly, subject to paragraph 1.1.1 and save to the extent that they are inconsistent with the Specific Accounting Policies, using the accounting principles, policies, procedures, methods, estimation techniques and classifications of the Group applied in accordance with the bases and methodologies consistent with the preparation of the Accounts as at the Accounts Date to the extent that such accounting principles, policies, procedures, methods, estimation techniques and classifications of the Group applied in accordance with the bases and methodologies (and the amounts resulting from their application) are in accordance with UK GAAP as at the Accounts Date; and
- 3.1.3 thirdly, subject to paragraphs 1.1.1 and 1.1.2 according to UK GAAP in force and as applicable as at the Accounts Date.

3.2 For the avoidance of doubt, paragraph 1.1.1 shall take priority over paragraph 1.1.2 and paragraph 1.1.2 shall take priority over paragraph 1.1.3.

**2 SPECIFIC ACCOUNTING POLICIES**

2.1 The Completion Accounts shall be prepared:

- 2.1.1. on a consolidated basis as at the Effective Time-from the general ledgers of the Group Companies as if the Effective Time was the end of the financial and tax year, including performance of all normal year-end 'close the books' processes and accounting procedures (to the extent consistent with UK GAAP), including (but not limited to) detailed assessment of prepayments and accruals, full balance sheet reconciliations with unsubstantiated assets written off and appropriate cut-off procedures;
- 2.1.2. in the format set out in Part C of this Schedule 3, being an indicative illustration of the provisions of Part B of this Schedule 3 and the definitions in Part A of this Schedule 3 illustrated as if the Effective Date had been 31 December 2020. Where an account balance classification or accounting treatment is specified, (and in some cases as a USD\$ number), within relevant definitions contained in Part A of this Schedule 3 and the other accounting policies in Part B of this Schedule 3, such classification, accounting treatment, or value where applicable, shall override the classification (or omission) or value of that account in Part C of this Schedule 3;
- 2.1.3. on a going-concern basis and shall exclude the effect of change of control or ownership of the Group and will not take into account the effects of any post-Completion reorganisations or the post-Completion intentions or obligations of the Buyer;
- 2.1.4. so that there is no double counting (whether positive or negative) of any item to be included in the Completion Accounts and any liabilities (and

associated insurance receivable) to the extent covered by a valid current insurance policy are excluded (other than any excess deductible under the insurance policy and directly attributable costs, in each case to the extent payable at the Effective Time, which will be included as a liability within Working Capital);

- 2.1.5. so as to be drawn up in USD\$. Assets and liabilities in the Completion Accounts denominated in a currency other than USD\$ shall be converted into USD\$ using the Exchange Rate, or such other point of reference as the parties shall agree;
- 2.1.6. so as to only take account of events taking place after the Effective Time if they are "adjusting events"(as defined in Section 32 of FRS 102: "Events after the end of the Reporting Period") and only having regard to information available to the Parties up until the time the Buyer delivers the Draft Completion Accounts to the Seller under Part A of this Schedule 3 (the "Cut-off Time") and only where such information provides evidence of conditions existing at the Effective Time;
- 2.1.7. so that no item is excluded solely on the grounds of immateriality;
- 2.1.8. so that no assets that were classified in the Accounts as fixed assets will be reclassified as current assets;
- 2.1.9. Prepayments shall be recognised, within the Completion Accounts, in respect of advance payments made before or at the Effective Time in respect of goods and services only to the extent that the benefit of such goods and services are received or receivable by the Group after the Effective Time;
- 2.1.10. so that where an accrual, creditor or provision was made in the Accounts in relation to any matter or series of related matters, no decrease in that accrual, creditor or provision shall be made in the Completion Accounts unless and to the extent that since the preparation of the Accounts new facts or circumstances have arisen which, justifies such decrease. The passage of time shall not of itself be deemed a change in facts or circumstances;
- 2.1.11. so as to exclude any amounts in relation to deferred tax assets;
- 2.1.12. to include a full accrual in respect of unpaid salaries, wages, bonuses and retirement bonuses including with respect to (i) any unused holiday pay to which employees are contractually entitled to have taken, (ii) any forgivable loans, Cash Advance Distributions or sign-on bonuses which the Group has offered or agreed to pay, and (iii) bonuses which will reflect a pro-rata apportionment of the cost based on the full year expected results as at the Effective Time, in each instance including tax and social security costs, up to the Effective Time;
- 2.1.13. so as to exclude any amounts in relation to (i) the Indemnified Matter, and (ii) other than as described in item (I) of the definition of 'Debt', the matters contemplated by the Deed of Indemnity;
- 2.1.14. so as to exclude any assets in respect of forgivable loans, Cash Advance Distributions, sign-on bonuses, sign-on loans or other employee or director loans which the Group has paid or advanced prior to the Effective Time;
- 2.1.15. to include full provision within Working Capital for all capital creditors, accruals, costs to complete and other capital commitments outstanding as at the Effective Time;

2.1.16. to include a liability within Debt: in respect of any amounts paid or payable by a Group Company after the Effective Time in respect of (i) outstanding partnership share units in any member of the Seller's Group held by employees of the Group Companies, (ii) outstanding restricted stock units relating to shares in any member of the Seller's Group held by employees of the Group Companies, (iii) the Pre-Completion Cash Awards, in each instance including any applicable Tax or social security costs payable by a Group Company, in each case as referred to in Clause 11.5;

2.1.17. so as to exclude any assets in relation to the Outstanding Receivables, unless received in cash prior to the time that the Draft Documents are delivered by the Buyer to the Seller in accordance with paragraph 3.2 of Part A of Schedule 3;

2.1.18. to include a liability within Debt:

- (a) of US\$1,000,000 in respect of defined benefit pension liabilities of the Subsidiary of Ed Broking with the company number Hamburg HRB 29161;
- (b) of USD\$950,000 (less 50% of the amount by which such liability is reduced as a result of sums paid by the Seller in the period between the Accounts Date and the Effective Time) in respect of off-balance sheet exceptional costs relating to the restructuring of the Subsidiary of Ed Broking with the company number Hamburg HRB 29161;
- (c) of the provisions recorded in Cooper Gay SA as of the Accounting Date that continue to be recognised as provisions as of the Effective Time; and
- (d) of any liabilities assumed by any member of the Buyer's Group with respect to any Shares which are not fully paid up as at the Effective Time,

provided that no other amounts will be included in the Completion Accounts with respect to the above matters.



**PART C**  
**PRO-FORMA BALANCE SHEET**  
**Besso Insurance Group Limited<sup>1</sup>**

(in \$USD)						
Account description	Account Code	31-Dec-20	Cash	Debt	Working Capital	Excluded
Cost of Goodwill(13501010)	13501010	8,695,243				8,695,243
	<b>Goodwill</b>	<b>8,695,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,695,243</b>
Asset Clearing: Construction in Process(13900020)	13900020	1,185,548				1,185,548
Cost of Computer Equipment(13211010)	13211010	2,389,339				2,389,339
Cost of Purchased Software(13223010)	13223010	455,496				455,496
Cost of Vehicles(13231010)	13231010	34,723				34,723
Cost of Furniture, Fixtures and Fittings(13233010)	13233010	2,657,861				2,657,861
Cost of Leasehold Improvements(13236010)	13236010	1,262,067				1,262,067
Accumulated Depreciation on Computer Equipment(13241010)	13241010	(2,270,379)				(2,270,379)
Accumulated Depreciation on Purchased Software(13245010)	13245010	(369,138)				(369,138)
Accumulated Depreciation on Vehicles(13246010)	13246010	(34,723)				(34,723)
Accumulated Depreciation on Furniture, Fixtures and Fittings(13248010)	13248010	(2,273,020)				(2,273,020)
Accumulated Depreciation on Leasehold Improvements(13251010)	13251010	(849,961)				(849,961)
<b>Property &amp; equipment</b>		<b>2,187,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,187,814</b>
Initial Equity Investment in Subsidiaries(13311010)	13311010	-				-
Equity Pick Up in Subsidiaries: Current Year(13311020)	13311020	-				-
Initial Equity Investment in Subsidiaries (Equity Method Subs) (13315010)	13315010	2,771,568				2,771,568
Other Investment(13331110)	13331110	2,783				2,783

<sup>1</sup> Intercompany balances existing as of December 2020 that will be eliminated prior to completion of the Transaction and are not expected to be included in Debt at Closing.

A-InvestAccElim	stAccEli	(15,889)			(15,889)
<b>Investments</b>		<b>2,758,462</b>	-	-	<b>2,758,462</b>
Bank Account - USD IBA (BAPL) 87107(11155101)	11155101	(0)		(0)	
Current Bank Accounts - IBA 87155(11155102)	11155102	84,410,076		84,410,076	
Current Bank Accounts - IBA 87155(11155103)	11155103	0		0	
Deposit Bank Accounts - IBA 87155(11155106)	11155106	15,771,443		15,771,443	
IBA Bad debt provision (GL Only)(11769005)	11769005	(592,887)		(592,887)	
IBA Bad Debt Provision(11769100)	11769100	(362,835)		(362,835)	
IBA Debtors(11761010)	11761010	92,679,379		92,679,379	
IBA Other Debtors(11761020)	11761020	(4,079,867)		(4,079,867)	
IBA Debtors - Global(11761030)	11761030	372,461,931		372,461,931	
IBA Debtors - Dynamics(11761035)	11761035	(372,461,931)		(372,461,931)	
IBA Creditors(24610100)	24610100	(177,622,892)		(177,622,892)	
IBA Bank Query Account(24610110)	24610110	(0)		(0)	
Deferred Insurance Brokerage Claims Provision(24610200)	24610200	(2,569,885)		(2,569,885)	
Deferred Insurance Brokerage(24610210)	24610210	(282,728)		(282,728)	
<b>Net Client Balances</b>		<b>7,349,803</b>	-	-	<b>7,349,803</b>
FX Trades Pending Settlement(11615070)	11615070	187,722	187,722		
FXL Trades Pending Settlement(11615110)	11615110	204,148	204,148		
Dividends Receivable(11661020)	11661020	69,974	69,974		
Employee Commuting Costs Receivables(11811020)	11811020	12,647		12,647	
Other Employee Advances Receivables, Net(11811040)	11811040	247,631		247,631	
Prepaid Insurance(12100060)	12100060	-		-	
Other Prepaid Expenses(12100150)	12100150	2,578,019		2,578,019	
Other Debtors(12400060)	12400060	2,874,984		2,874,984	
Output Value-Added Tax(12500040)	12500040	(114,489)		(114,489)	
Recoverable Value-Added Tax(12500050)	12500050	282,593		282,593	
<b>Other current assets</b>		<b>6,343,230</b>	-	<b>461,844</b>	<b>5,881,386</b>



Accrued Brokerage(11768010)	11768010	6,330,660			6,330,660
<b>Trade Receivable</b>		<b>6,330,660</b>	<b>-</b>	<b>-</b>	<b>6,330,660</b>
Employee Forgivable Loans Receivables(11821040)	11821040	341,943			341,943
Accumulated Amortization on Employee Forgivable Loans(11821050)	11821050	(166,369)			(166,369)
PPD/Cash AD Loans Issued(11821110)	11821110	71,280			71,280
PPD/Cash AD Clearing Account(11821130)	11821130	-			-
Partnership Units - Loans Receivable(11821150)	11821150	-			-
Cash AD/PPD Reserve(11821160)	11821160	1,899,937			1,899,937
<b>Sign on loans</b>		<b>2,146,790</b>	<b>-</b>	<b>-</b>	<b>2,146,790</b>
Payroll Control Account(19002180)	19002180	70			70
Accrued Pensions / Superannuation(21911060)	21911060	(233,106)			(233,106)
Other Reserves/Provisions(21171050)	21171050	276,025			276,025
Accrued Class 1A Social Security - Forgivable Loans(21111690)	21111690	(60,666)			(60,666)
Stock Sales Control Account(20150035)	20150035	(121,704)			(121,704)
Sundry Creditors(20813270)	20813270	(2,758,035)			(2,758,035)
Salary Deduction for Childcare Vouchers(20831040)	20831040	-			-
Preferred Unit Withholding Taxes Payable(20870035)	20870035	(1,007,282)			(1,007,282)
Payroll Taxes Payable(21111010)	21111010	72,590			72,590
Payroll Taxes Payable for Cash ADs(21111013)	21111013	(347,692)	(347,692)		
Taxes Payable On Forgivable Loans(21111020)	21111020	(112,716)	(112,716)		
Accrued Payroll Taxes--Prepaid Partnership Distribution (PPD Loans) (21111030)	21111030	(7,703)	(7,703)		
Accrued Employee Income Tax Payable(21111610)	21111610	(2,069,345)			(2,069,345)
Accrued Employer's Social Security - Forgivable Loan Amortization(21111665)	21111665	(38,514)	(38,514)		
Employee Withholding Tax(21111700)	21111700	792			792
IBNR Reserve(20813232)	20813232	(43,723)			(43,723)
Dividends Payable to Stockholders(21171150)	21171150	-	-		
Derivatives Trades Pending Settlement - Payable (B/D)(24514010)	24514010	(0)	(0)		
Dividends Payable(24514040)	24514040	0	0		
Deferred Cash Consideration(21171360)	21171360	(318,766)	(318,766)		

<b>Other current liabilities</b>			<b>(6,769,777)</b>	-	<b>(825,391)</b>	<b>(5,944,386)</b>	-
Insurance Brokers PL Control a/c(20150096)	20150096	(731,688)				(731,688)	
Accrued Telephone Usage(20813630)	20813630	-				-	
<b>Accrued expenses</b>			<b>(731,688)</b>	-	-	<b>(731,688)</b>	-
Accrued Administration Bonus - Prior Year(21911290)	21911290	(2,639,888)				(2,639,888)	
Accrued Front Office Discretionary Bonus 2018(21911267)	21911267	(5,114,773)				(5,114,773)	
Accrued Prior Years Discretionary Bonus (Accrued Comp) (21911250)	21911250	-				-	
Accrued Guaranteed Bonus(21911230)	21911230	(2,919,543)				(2,919,543)	
End of Service Gratuity - Dubai(21911600)	21911600	(43,954)				(43,954)	
Accrued 13th salary(21911380)	21911380	(57)				(57)	
<b>Bonuses accrued</b>			<b>(10,718,215)</b>	-	-	<b>(10,718,215)</b>	-
Bank Account - Non IBA Hong Kong \$ (BAPL) 87155(11151101)	11151101	-		-			
Bank Account - Non IBA Hong Kong \$ (BAPL) 87107(11151102)	11151102	0		0			
Lloyd's Bank Sterling Office Account - Non IBA 87165(11151103)	11151103	704,612		704,612			
Lloyd's Bank Sterling Office Account - Non IBA 87155(11151106)	11151106	9,852,283		9,852,283			
Lloyds TSB AUD Account 87155(11151107)	11151107	301		301			
Exchange Contra Account 87155(11151108)	11151108	-		-			
Lloyds TSB CAD Account 87155(11151109)	11151109	78,993		78,993			
Lloyds Bank CHF Account 87155(11151110)	11151110	203		203			
Besso Ltd Office Euro A/C 87155(11151111)	11151111	547,324		547,324			
Lloyds Bank Sterling Call Account - Non IBA 87155(11151112)	11151112	642		642			
Besso Ltd Office US Dollar A/C 87155(11151113)	11151113	1,767,479		1,767,479			
Lloyd's Bank Sterling Office Account - Non IBA 87115(11151114)	11151114	(0)		(0)			
Clydesdale Bank - GBP - Non-IBA 87115(11151115)	11151115	4,917		4,917			
Besso Ltd Office US Dollar A/C 87115(11151116)	11151116	-		-			
Lloyd's Bank Sterling Office Account - Non IBA 87106(11151118)	11151118	153		153			
Lloyds Bank Account (Opened Dec 08) - Non IBA 87106(11151119)	11151119	974,696		974,696			
Lloyds TSB CAD Account 87106(11151120)	11151120	0		0			
Lloyd's Bank Sterling Office Account - Non IBA 87102(11151121)	11151121	188,854		188,854			

Bank a/c Sigorta - demand deposit account TL 87110(11151122)	11151122	16,513	16,513		
Bank a/c Sigorta - Garanti Time deposit account TL 87110(11151123)	11151123	40,668	40,668		
Besso Ltd Office US Dollar A/C 87104(11151124)	11151124	-	-		
Besso Ltd Office Euro A/C 87104(11151125)	11151125	-	-		
Bank Account - USD Non IBA Lloyds TSB 87104(11151126)	11151126	41,045	41,045		
Bank Account Besso Sigorta - Non IBA 87104(11151127)	11151127	(0)	(0)		
Bank a/c Sigorta - demand deposit account TL 87104(11151128)	11151128	-	-		
Bank a/c Sigorta - Garanti demand deposit account TL 87104(11151129)	11151129	1,245	1,245		
Bank a/c Sigorta - Garanti Time deposit account TL 87104(11151130)	11151130	(0)	(0)		
Lloyds AED bank account - BessoRe(ME)Ltd 87112(11151131)	11151131	117,283	117,283		
Besso Ltd Office US Dollar A/C 87112(11151132)	11151132	0	0		
Besso Ltd Office Euro A/C 87125(11151133)	11151133	(0)	(0)		
Lloyd's Bank Sterling Office Account - Non IBA 87105(11151134)	11151134	-	-		
Lloyd's Bank Sterling Office Account - Non IBA 87135(11151135)	11151135	0	0		
Sigorta EUR 9199820 OR Sigorta EUR 9199820 87104(11151136)	11151136	78	78		
Petty Cash - US \$ 87155(11151151)	11151151	9,929	9,929		
Petty Cash - Sterling 87155(11151152)	11151152	3,247	3,247		
Petty Cash - Sterling 87110(11151153)	11151153	-	-		
Petty Cash - Disaster Recovery Battle Box 87155(11151156)	11151156	683	683		
Bank Management Contra Account 87155(11151161)	11151161	-	-		
Santander Premio 0130553220 (Brasil) 87110(11155105)	11155105	-	-		
<b>Cash &amp; cash equivalents</b>		<b>14,351,148</b>	<b>14,351,148</b>	-	-
Ed Broking Restricted Cash(11151520)	11151520	203,109	203,109		
<b>Restricted cash</b>		<b>203,109</b>	<b>203,109</b>	-	-
Corporation Tax(20870050)	20870050	(64,093)	(64,093)		
<b>Corporations tax</b>		<b>(64,093)</b>	-	<b>(64,093)</b>	-
Deferred Tax Asset(12711010)	12711010	705,802			705,802
Deferred Tax Liability(21140010)	21140010	(8,776)			(8,776)

<b>Deferred tax</b>		<b>697,026</b>	-	-	-	<b>697,026</b>
Employee Loans Receivables(11821030)	11821030	138,785				138,785
<b>Employee loans</b>		<b>138,785</b>	-	-	-	<b>138,785</b>
ASC 842/IFRS 16 ROU Lease Asset (Non-current)(14130010)	14130010	208,747				208,747
<b>Lease assets</b>		<b>208,747</b>	-	-	-	<b>208,747</b>
ASC 842/IFRS 16 Lease Liability (Current)(20160010)	20160010	(170,576)				(170,576)
<b>Lease liability</b>		<b>(170,576)</b>	-	-	-	<b>(170,576)</b>
Intercompany Receivable Conversion(11901010)	11901010	-		-		
Intercompany Receivable(11901020)	11901020	(1,072,478)		(1,072,478)		
Intercompany Receivable - Equity Compensation(11901022)	11901022	(3,565)		(3,565)		
Intercompany- Exchangeability(11901023)	11901023	(870,020)		(870,020)		
Intercompany Loans Receivable(11901040)	11901040	1,120,899		1,120,899		
Intercompany loan interest(11901041)	11901041	28,253		28,253		
Intercompany FX SWAP settlement(11901060)	11901060	0		0		
A-IntercoRecPayElim	ecPayEli	0		0		
Intercompany Irrecoverable VAT receivable/payable(11901100)	11901100	1,039,197		1,039,197		
A-IntercoDividendEquityElim	quityEli	-		-		
<b>Intercompany</b>		<b>242,286</b>	-	<b>242,286</b>	-	-
<b>Net assets</b>		<b>33,198,756</b>	<b>14,554,258</b>	<b>(185,354)</b>	<b>2,167,561</b>	<b>16,662,291</b>
Cash as above			14,554,258			
<b>Cash for the purposes of Schedule 3</b>			<b>14,554,258</b>			
Debt as above				(185,354)		

SPA adjustments (in accordance with Schedule 3)	X	
<b>Debt for the purposes of Schedule 3</b>	<b>(185,354)</b>	
Working Capital as above		2,167,561
SPA adjustments (in accordance with Schedule 3)	X	
<b>Working Capital for the purposes of Schedule 3</b>	<b>2,167,561</b>	

**Ed Broking Group Limited<sup>2</sup>**

**(in \$USD)**

<b>Cognos</b>	<b>Account Name</b>	<b>Oracle Code</b>	<b>31-Dec-20</b>	<b>Cash</b>	<b>Debt</b>	<b>Working Capital</b>	<b>Excluded</b>
10000	Goodwill Cost	13501010	60,004,967				60,004,967
10100	Goodwill Amortisation	13501020	(29,812,790)				(29,812,790)
<b>Goodwill</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>30,192,177</b>
11200	Contractual customer relationships Cost	13481010	27,525,500				27,525,500
11300	Contractual customer relationships Amortisation	13481020	(25,124,141)				(25,124,141)
17500	Capitalised Costs	12400060	2,201,000				2,201,000
17510	Amortisation of Capitalised Costs	12400060	(474,000)				(474,000)
<b>Intangible assets</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>4,128,359</b>
11000	Software Development Cost	13221020	9,931,705				9,931,705
11100	Software Development Amortisation	13243020	(6,773,904)				(6,773,904)
12000	Freehold Land & Buildings Cost	13235010	947,093				947,093
12005	Land	13235015	0				0
12010	Improvements to leased Properties	13236010	4,266,937				4,266,937
12020	Fine Art Cost	13238010	70,410				70,410
12030	Motor Vehicles Cost	13231010	86,977				86,977
12040	Computer Equipment Cost	13211010	1,767,493				1,767,493
12050	Computer Software Cost	13223010	4,372,215				4,372,215
12060	Fixtures & Fittings Cost	13233010	1,198,966				1,198,966
12070	Office Equipment Cost	13234010	346,006				346,006
12500	Freehold Land & Buildings Depreciation	13250010	(264,205)				(264,205)
12510	Improvements to leased Properties Depreciation	13251010	(3,861,535)				(3,861,535)
12530	Motor Vehicles Depreciation	13246010	(46,800)				(46,800)

<sup>2</sup> Intercompany balances existing as of December 2020 that will be eliminated prior to completion of the Transaction and are not expected to be included in Debt at Closing.

12540	Computer Equipment Depreciation	13241010	(894,155)	(894,155)
12550	Computer Software Depreciation	13245010	(2,489,664)	(2,489,664)
12560	Fixtures & Fittings Depreciation	13248010	(885,468)	(885,468)
12570	Office Equipment Depreciation	13249010	(324,324)	(324,324)
<b>Property &amp; equipment</b>			<b>7,447,746</b>	<b>7,447,746</b>
13100	Provisions against Investment in Subsidiaries	13331020	0	0
13400	Trade Investments	13331110	159,845	159,845
<b>Investments</b>			<b>159,845</b>	<b>159,845</b>
15000	IBA Cash Balances - Bank	11155101	141,276,156	141,276,156
17000	Insurance Debtors	11761010	221,092,993	221,092,993
17100	IBA Specific Bad Debts	11769100	(1,845,288)	(1,845,288)
17200	IBA General Bad Debts	11769100	(12,811)	(12,811)
20000	IBA Creditors	24610100	(324,689,071)	(324,689,071)
20002	TP Account	24610100	(0)	(0)
24000	Provisions for Def Consideration (BS) Current	25511040	279,825	279,825
24300	Provisions for Claims (BS) Current	24610200	(3,348,424)	(3,348,424)
<b>Net client balances</b>			<b>32,753,380</b>	<b>32,473,555</b>
14500	Other external loans	12400060	405,552	405,552
19100	Sales Tax Control Account	12500030	1,102,436	1,102,436
19200	Other Prepayments	12100150	1,162,409	1,162,409
19210	Insurance Prepayments	12100060	2,481,878	2,481,878
19220	Rent and Rates Prepayments	12100070	1,708,069	1,708,069
19230	Bonus Prepayments	12110130	(0)	(0)
19232	Bonus Prepayments	12110130	301,417	301,417
19300	Sundry Debtors	12400060	3,240,934	3,240,934
19350	Contract Assets	12400060	9,412,437	9,412,437
19400	Rent & Other Deposits	12400010	453,657	453,657
19550	Intercompany with Sold Entities	12400060	1,105,342	1,105,342

19555	Provisions with Sold Entities	12400060	(1,105,342)			(1,105,342)
19600	Derivative Asset Current	11615130	27,350	27,350		
19602	Derivative Liability Current	11615130	(127,683)	(127,683)		
19604	FX Trades Pending Settement - Spot	11615110	(109,480)	(109,480)		
19605	FX Trades Pending Settlement	11615070	90,004	90,004		
19810	Employee Advances Control	11811040	5,164		5,164	
19820	Employee Commuting Control	11811020	9,475		9,475	
<b>Other current assets</b>			<b>20,163,619</b>	<b>-</b>	<b>(119,810)</b>	<b>10,465,440 9,817,989</b>
19000	Sales Ledger Control Account	11762001	2,427,044			2,427,044
<b>Trade receivable</b>			<b>2,427,044</b>	<b>-</b>	<b>-</b>	<b>2,427,044 -</b>
19805	Staff Loans	11821030	510,562			510,562
19807	Cash Advanced Distributions	11821160	8,106,037			8,106,037
19808	Cash Advanced Distributions Amortisation	11821160	(1,065,785)			(1,065,785)
19815	Forgivable Loan Account	11821040	1,573,412			1,573,412
19816	Forgivable Loan Amortisation Account	11821050	(188,405)			(188,405)
20270	CAD Loan Interest	11821110	221,222			221,222
<b>Sign on loans</b>			<b>9,157,044</b>	<b>-</b>	<b>-</b>	<b>510,562 8,646,482</b>
14501	Other for other external loans	21171050	(405,552)			(405,552)
19860	Childcare Recovery	20831040	1,178			1,178
20200	Salaries Control Account	19002180	(251,682)		(251,682)	
20205	Pension recoverable / payable control account	21911060	(490,778)		(490,778)	
20210	Payroll Direct Tax	21111610	(2,726,617)		(2,726,617)	
20240	CAD Tax Reserve	21111013	(611,148)	(611,148)		
20250	Forgivable Loan Tax Reserve	21111020	(156,110)	(156,110)		
20260	Forgivable Loan Interest	21111665	(26,000)	(26,000)		
20280	CAD NI ER	21111030	(147,077)	(147,077)		
20300	Other Accrual	20831185	(2,447,378)		(2,447,378)	
20305	Exceptionals Accrual	20831185	170,251			170,251



20340	Holiday Accruals	21911030	(777,187)		(777,187)		
20500	Deferred Income	20813270	(1,294,846)		(1,294,846)		
20550	Contract Liabilities	20813270	(10,094,000)				(10,094,000)
20700	Dividends Payable			-			
20800	Sundry Creditors	20813270	(1,481,269)		(1,481,269)		
20840	Project Boston Funds For RSU	20813270	(31,330)	(31,330)			
20890	Contract Liabilities Non Current	20813270	(720,000)				(720,000)
24200	Provisions for E&O (BS) Current	21171020	(111,675)		(111,675)		
24500	Provision 1 (BS)	21171050	(108,867)	(108,867)			
24600	Provision 2 (BS)	21171050	(107,875)	(107,875)			
24900	Other Provisions	21171050	(344,646)	(344,646)			
<b>Other current liabilities</b>			<b>(22,162,607)</b>	<b>-</b>	<b>(1,533,053)</b>	<b>(9,410,002)</b>	<b>(11,219,552)</b>
20100	Purchase Ledger Control Account	20150010	(1,205,772)			(1,205,772)	
<b>Accrued expenses</b>			<b>(1,205,772)</b>	<b>-</b>	<b>-</b>	<b>(1,205,772)</b>	<b>-</b>
20310	Bonus Accrual - Discretionary	20812020	(11,691,472)			(11,691,472)	
20315	Bonus Accrual - Contractual	21911230	(5,773,809)			(5,773,809)	
<b>Bonuses accrued</b>			<b>(17,465,281)</b>	<b>-</b>	<b>-</b>	<b>(17,465,281)</b>	<b>-</b>
15500	NIBA Cash Balances - Bank	11151101	22,558,859	22,558,859			
15900	Cash in Hand	11138010	4,121	4,121			
<b>Cash &amp; cash equivalents</b>			<b>22,562,981</b>	<b>22,562,981</b>	<b>-</b>	<b>-</b>	<b>-</b>
15850	Restricted Cash	11151520	3,602,259	3,602,259			
<b>Restricted cash</b>			<b>3,602,259</b>	<b>3,602,259</b>	<b>-</b>	<b>-</b>	<b>-</b>
22000	Corporate Tax Liability	20870050	(812,972)		(812,972)		

<b>Corporations tax</b>			<b>(812,972)</b>	-	<b>(812,972)</b>	-	-
23004	Deferred Tax Liabilities - Pensions	21140010	(35,787)				(35,787)
23005	Deferred Tax Liabilities - Other	21140010	245,849				245,849
23009	Deferred Tax Liabilities - Intangibles not Goodwil	21140010	(145,472)				(145,472)
<b>Deferred tax</b>			<b>64,590</b>	-	-	-	<b>64,590</b>
18000	Intercompany IBA Assets	11901026	84			84	
18000	Intercompany IBA Assets	11901026	(457,557)			(457,557)	
18000	Intercompany IBA Assets	11901026	457,557			457,557	
18000	Intercompany IBA Assets	11901026	189,552			189,552	
18000	Intercompany IBA Assets	11901026	1,592,172			1,592,172	
18000	Intercompany IBA Assets	11901026	(15,134)			(15,134)	
18000	Intercompany IBA Assets	11901026	2,802,332			2,802,332	
18000	Intercompany IBA Assets	11901026	165			165	
18000	Intercompany IBA Assets	11901026	933,098			933,098	
18000	Intercompany IBA Assets	11901026				-	
18000	Intercompany IBA Assets	11901026				-	
18001	Intercompany IBA Liabilities	11901026	(2,991,851)			(2,991,851)	
18001	Intercompany IBA Liabilities	11901026	(357,430)			(357,430)	
18001	Intercompany IBA Liabilities	11901026	(467,187)			(467,187)	
18001	Intercompany IBA Liabilities	11901026	(1,592,172)			(1,592,172)	
18001	Intercompany IBA Liabilities	11901026	(93,630)			(93,630)	
18200	Intercompany NIBA Assets	11901020	1,633,089			1,633,089	
18200	Intercompany NIBA Assets	11901020	433,008			433,008	
18200	Intercompany NIBA Assets	11901020	698,567			698,567	
18200	Intercompany NIBA Assets	11901020	167,456			167,456	
18200	Intercompany NIBA Assets	11901020	4,678,540			4,678,540	
18200	Intercompany NIBA Assets	11901020	3,691			3,691	
18200	Intercompany NIBA Assets	11901020				-	
18200	Intercompany NIBA Assets	11901020	7,951			7,951	
18200	Intercompany NIBA Assets	11901020	329,900			329,900	
18200	Intercompany NIBA Assets	11901020				-	

18200	Intercompany NIBA Assets	11901020	-	-
18200	Intercompany NIBA Assets	11901020	124,901	124,901
18200	Intercompany NIBA Assets	11901020	218,336	218,336
18200	Intercompany NIBA Assets	11901020	309,735	309,735
18200	Intercompany NIBA Assets	11901020	-	-
18200	Intercompany NIBA Assets	11901020	21,907,038	21,907,038
18200	Intercompany NIBA Assets	11901020	2,152,917	2,152,917
18200	Intercompany NIBA Assets	11901020	355,474	355,474
18200	Intercompany NIBA Assets	11901020	13,312,379	13,312,379
18200	Intercompany NIBA Assets	11901020	2,213,340	2,213,340
18200	Intercompany NIBA Assets	11901020	275,290	275,290
18200	Intercompany NIBA Assets	11901020	1,567,476	1,567,476
18200	Intercompany NIBA Assets	11901020	8,641,958	8,641,958
18200	Intercompany NIBA Assets	11901020	133,603	133,603
18200	Intercompany NIBA Assets	11901020	2,332,690	2,332,690
18200	Intercompany NIBA Assets	11901020	631,852	631,852
18200	Intercompany NIBA Assets	11901020	1,223,605	1,223,605
18200	Intercompany NIBA Assets	11901020	0	0
18201	Intercompany NIBA Liabilities	11901020	(134,002)	(134,002)
18201	Intercompany NIBA Liabilities	11901020	(66,364)	(66,364)
18201	Intercompany NIBA Liabilities	11901020	(7,263)	(7,263)
18201	Intercompany NIBA Liabilities	11901020	(1,713)	(1,713)
18201	Intercompany NIBA Liabilities	11901020	(1,179,940)	(1,179,940)
18201	Intercompany NIBA Liabilities	11901020	(2,171,318)	(2,171,318)
18201	Intercompany NIBA Liabilities	11901020	(329,900)	(329,900)
18201	Intercompany NIBA Liabilities	11901020	-	-
18201	Intercompany NIBA Liabilities	11901020	(309,735)	(309,735)
18201	Intercompany NIBA Liabilities	11901020	(15,724,481)	(15,724,481)
18201	Intercompany NIBA Liabilities	11901020	(18,821,096)	(18,821,096)
18201	Intercompany NIBA Liabilities	11901020	(9)	(9)
18201	Intercompany NIBA Liabilities	11901020	(379,421)	(379,421)
18201	Intercompany NIBA Liabilities	11901020	(9,503,648)	(9,503,648)
18201	Intercompany NIBA Liabilities	11901020	(44)	(44)
18201	Intercompany NIBA Liabilities	11901020	(1,091,195)	(1,091,195)

18201	Intercompany NIBA Liabilities	11901020	(980,889)	(980,889)
18201	Intercompany NIBA Liabilities	11901020	(1,030,611)	(1,030,611)
18201	Intercompany NIBA Liabilities	11901020	(8,184,367)	(8,184,367)
18201	Intercompany NIBA Liabilities	11901020	(2,620,818)	(2,620,818)
18201	Intercompany NIBA Liabilities	11901020	(669,515)	(669,515)
18201	Intercompany NIBA Liabilities	11901020	(146,464)	(146,464)
18201	Intercompany NIBA Liabilities	11901020	-	-
18400	Intercompany Loans Assets	11901040	200,000	200,000
18400	Intercompany Loans Assets	11901040	377,823	377,823
18400	Intercompany Loans Assets	11901040	5,730,582	5,730,582
18400	Intercompany Loans Assets	11901040	2,817,468	2,817,468
18400	Intercompany Loans Assets	11901040	116,237	116,237
18400	Intercompany Loans Assets	11901040	51,225,744	51,225,744
18400	Intercompany Loans Assets	11901040	18,263,046	18,263,046
18400	Intercompany Loans Assets	11901040	12,610,354	12,610,354
18400	Intercompany Loans Assets	11901040	6,510,509	6,510,509
18400	Intercompany Loans Assets	11901040	3,970,446	3,970,446
18400	Intercompany Loans Assets	11901040	1,403,610	1,403,610
18400	Intercompany Loans Assets	11901040	7,971,948	7,971,948
18400	Intercompany Loans Assets	11901040	15,822,832	15,822,832
18400	Intercompany Loans Assets	11901040	6,944,327	6,944,327
18400	Intercompany Loans Assets	11901040	11,450,123	11,450,123
18400	Intercompany Loans Assets	11901040	1,006,175	1,006,175
18401	Intercompany Loans Liabilities	11901040	(0)	(0)
18401	Intercompany Loans Liabilities	11901040	(93,794,758)	(93,794,758)
18401	Intercompany Loans Liabilities	11901040	(350,261)	(350,261)
18401	Intercompany Loans Liabilities	11901040	(36,798,536)	(36,798,536)
18401	Intercompany Loans Liabilities	11901040	(116,248)	(116,248)
18401	Intercompany Loans Liabilities	11901040	(12,960,015)	(12,960,015)
18401	Intercompany Loans Liabilities	11901040	(716,528)	(716,528)
18401	Intercompany Loans Liabilities	11901040	(1,568,640)	(1,568,640)
18401	Intercompany Loans Liabilities	11901040	(116,237)	(116,237)
18500	Provisions for Intercompany Loans	11901027	5,856,512	5,856,512
18500	Provisions for Intercompany Loans	11901027	45,369,232	45,369,232

18500	Provisions for Intercompany Loans	11901027	1,393,121	1,393,121				
18501	Provisions for Intercompany Loans	11901027	(52,618,864)	(52,618,864)				
18750	IT Recharges	11901020	3	3				
18800	Intercompany Loans Interest	11901041	0	0				
20820	Loan From BGC	11901040	(57,387,151)	(57,387,151)				
20821	BGC Services Interco	11901020	(1,760,012)	(1,760,012)				
20823	BGC USA LLP INTERCO	11901020	(4,148,474)	(4,148,474)				
20824	BGC Global Holdings RSUs	11901022	(1,509,264)	(1,509,264)				
20825	Tower Bridge Intl Services VAT Recoverable Interco			-				
20827	BGC Interest Working Capital Loan	11901041	(2,367,853)	(2,367,853)				
20828	BGC Interest Acquisition Loan	11901041	(1,355,218)	(1,355,218)				
20829	BGC Interest CAD Loan	11901041	(479,184)	(479,184)				
20831	Tower Bridge Services	11901020	(937,889)	(937,889)				
20832	Cantor Fitzgerald Europe	11901020	(984,692)	(984,692)				
20833	BGC Global Holdings LP Income Allocation	11901020	(180,784)	(180,784)				
20860	Besso Ltd	11901020	(2,669,325)	(2,669,325)				
<b>Intercompany</b>				<b>(73,779,844)</b>	-	<b>(73,779,844)</b>	-	-
24400	Provisions for FRS17 Pension Liability (BS)	26300001	(11,953,459)					(11,953,459)
<b>Pension liability</b>				<b>(11,953,459)</b>	-	-	-	<b>(11,953,459)</b>
<b>Net assets</b>				<b>5,279,109</b>	<b>26,165,239</b>	<b>(76,245,679)</b>	<b>17,795,546</b>	<b>37,564,003</b>
								0
Cash as above					26,165,239			
Deductible Trapped Cash Amount					(2,200,000)			
<b>Cash for the purposes of Schedule 3</b>					<b>23,965,239</b>			
Debt as above						(76,245,679)		
Hamburg HRB 29161 defined benefit pension liability						(1,000,000)		
Hamburg HRB 29161 restructuring exceptional costs						(950,000)		
SPA adjustments (in accordance with Schedule 3)						X		

<b>Debt for the purposes of Schedule 3</b>	<b>( 78,195,679)</b>	
Working Capital as above		17,795,546
Exclude Palm Canada loan		(807,000)
SPA adjustments (in accordance with Schedule 3)		X
<b>Working Capital for the purposes of Schedule 3</b>		<b>16,988,546</b>

PART D

PRO-FORMA COMPLETION STATEMENT

Item	Amount (US\$)
Enterprise Value	•
<i>plus</i> Cash	•
<i>less</i> Debt	•
<i>plus</i> Working Capital	•
<i>Less</i> Target Working Capital	•
Consideration	•

**Schedule 4**  
**Completion formalities**

**Part 1**  
**Seller's obligations**

- 1 The Seller shall deliver to the Buyer:
- (a) transfers of:
- (i) the Ed Broking Shares and the Besso Insurance Majority Interest Shares, duly executed by the Seller; and
- (ii) the Besso Insurance Minority Interest Shares, duly executed by the BIGL Seller,
- in each case in favour of the Buyer, together with the relevant share certificates (or an indemnity for lost share certificate);
- (b) resignations of Robert Stevens, Sean Windeatt, Steve Bisgay, John J, Jones and Caroline Koster as director, secretary and/or officer of each Group Company of which they are a director, secretary or officer, in the agreed form executed as a deed;
- (c) evidence reasonably satisfactory to the Buyer that all of the shares in Besso Brasil Participações Ltda. and Besso Re Brasil Corretora De Resseguros Ltda. have been transferred to a Group Company (including details of the transferee Group Company) and any put and call arrangements entered into between any Group Company and any member of the Seller's Group in relation to such shares have been terminated without liability to a Group Company;
- (d) irrevocable powers of attorney and appointments of proxy in the agreed form, executed by:
- (i) the Seller, empowering the Buyer to exercise the Seller's rights as a shareholder of the Companies pending the stamping and registration of the transfers referred to in paragraph 1(a) above; and
- (ii) the BIGL Seller, empowering the Buyer to exercise the BIGL Seller's rights as a shareholder of Besso Insurance pending the stamping and registration of the transfers referred to in paragraph 1(a) above;
- (e) a letter from the Seller confirming that it has ceased to be a registrable person (within the meaning of section 790C CA 2006) in relation to the Companies;
- (f) reasonable evidence that the Seller Restructuring has taken place;
- (g) confirmation in written form signed by the General Counsel of the Seller that: (i) all outstanding Cash Advance Distributions or other loans to employees of the Group Companies have been cancelled or waived; (ii) the Seller has settled or procured settlement of all obligations to pay Tax arising from such cancellation or waiver such that no liability to Tax will arise for the employees who held such Cash Advance Distributions or other loans or for any of the Group Companies.
- (h) Confirmation in written form signed by the General Counsel of the Seller that the steps contemplated by Clause 11.5(a) have been completed; and



- (i) an updated Cash Awards Schedule setting out details of all outstanding Post Completion Cash Awards.
- 2 The Seller shall procure that at Completion, no Group Company has any outstanding liabilities or any other indebtedness to any member of the Seller's Group, and no member of the Seller's Group has any outstanding liabilities or any other indebtedness to any Group Company ("**Intragroup Indebtedness**") and in the event that, notwithstanding any set-off of all amounts owed between the Group Companies and the Seller Group immediately prior to Completion, there remains outstanding liabilities owed by the Seller Group to the Group Companies in excess of \$1,000,000 shall deliver to the Buyer executed documentation (in a form reasonably satisfactory to the Buyer) required for the repayment or settlement of any Intragroup Indebtedness existing immediately prior to Completion, and the release of any Encumbrance established in connection with such Intragroup Indebtedness.
- 3 The Seller shall deliver or make available to the Buyer:
- (a) the statutory registers of the Companies;
  - (b) confirmation that all representatives of the Seller or any Seller Related Person have been removed from the bank mandates of each of the Companies;
  - (c) in respect of each Group Company incorporated in the United Kingdom, any authentication code issued by Companies House or written confirmation that no such code has been issued; and
  - (d) confirmation as to whether or not each Group Company incorporated in the United Kingdom has signed up to Companies House Protected Online Filing Scheme.
- 4 The Seller shall procure that the board of directors of each Company resolve that:
- (a) the share transfers referred to at paragraph 1(a) above be approved and registered (subject to stamping);
  - (b) following registration of the share transfers referred to at paragraph 1(a) above, new share certificates be issued to the Buyer in respect of the Shares; and
  - (c) such persons as the Buyer nominates are appointed additional directors of the relevant Company.
- 5 The Seller shall procure that the board of directors of each relevant Group Company resolve that with effect from Completion as appropriate in the case of each Group Company, the resignations referred to at paragraph 1(b) above be accepted.

**Part 2**  
**Buyer's obligations**

2

- 1 The Buyer shall:
  - (a) pay the Estimated Consideration by means of electronic funds transfer to the Seller's Solicitors Account; and
  - (b) without prejudice to the Buyer's obligations under Clause 4 (*Conditions*) and to the extent not already provided, provide evidence reasonably satisfactory to the Seller of the satisfaction of each of the Regulatory Conditions.

**Schedule 5  
Seller Warranties**

3

**1 Ownership and Capacity**

- (a) The Seller is the sole legal and beneficial owner of the Ed Broking Shares and the Besso Insurance Majority Interest Shares free from any Encumbrance and is or will at Completion be entitled to transfer the legal and beneficial title to, the Ed Broking Shares and the Besso Insurance Majority Interest Shares, free from any Encumbrances.
- (b) The BIGL Seller is the sole legal and beneficial owner of the Besso Insurance Minority Interest Shares free from any Encumbrance and is or will at Completion be entitled to transfer the legal and beneficial title to, the Besso Insurance Minority Interest Shares, free from any Encumbrances.
- (c) There are no options subsisting over any of the Shares.
- (d) The Ed Broking Shares comprise the entire allotted and issued share capital of Ed Broking.
- (e) The Besso Insurance Shares comprise the entire allotted and issued share capital of Besso Insurance.
- (f) Subject only to any changes which may occur prior to Completion pursuant to the Seller Restructuring:
  - (i) the share capital of each of the Companies is legally and beneficially owned by the Seller or the BIGL Seller as shown in Part 1 of Schedule 1;
  - (ii) the share capital of each of the Group Companies (other than the Companies) is legally and beneficially owned by a Group Company as shown in Part 2 of Schedule 1; and
  - (iii) the Minority JV Shares are legally and beneficially owned by a Group Company or a Minority Interest JV Company as shown in Part 3 of Schedule 1,in each case free from any Encumbrances.
- (g) All the issued shares of each Group Company and the Minority JV Shares are fully paid up (save where expressly stated otherwise herein) and no Group Company or Minority Interest JV Company has exercised or purported to exercise or claimed any lien over any of such shares. There are no outstanding obligations of the Seller or the BIGL Seller to pay in any additional capital in respect of any Group Company.
- (h) No person has the right to call for the issue of any share or loan capital of any Group Company by reason of any conversion rights or under any option or other agreement and neither the Seller, the BIGL Seller nor any Group Company has nominated or has the right to nominate any person to enjoy or exercise any rights of the Seller, the BIGL Seller or any Group Company as member of any Group Company.

- (i) Each of the Seller Parties is a company duly incorporated and organised and validly existing under the laws of its jurisdiction of incorporation.
- (j) Each of the Seller Parties has the power and authority to enter into the Transaction Documents and to fully perform its obligations under them in accordance with their terms.
- (k) None of the Seller Parties require the consent, approval or authority of any other person to enter into or exercise its rights or perform its obligations under the Transaction Documents.
- (l) The entry into and the exercise by each of the Seller Parties of its rights and performance of its obligations under the Transaction Documents and the transactions contemplated by them will not constitute a breach or give rise to a default under any applicable Laws or any order, decree, judgement, contract or other obligation binding on it (including any provision of its constitutional documents) which has a material adverse effect on its ability to execute or perform its obligations under the Transaction Documents.
- (m) None of the Seller Parties is party to any litigation, arbitration or administrative proceedings, nor is it the subject of any governmental, regulatory or official investigation or enquiry which is in progress or threatened or pending and which has or could have a material adverse effect on its ability to execute or perform its obligations under the Transaction Documents.
- (n) No corporate action or other steps have been taken by any of the Seller Parties, or legal proceedings started or threatened against any of them for its winding up or dissolution; or for it to enter into any arrangement or composition for the benefit of creditors; or for the appointment of a receiver, administrator, administrative receiver, liquidator, supervisor, compulsory manager, trustee or similar person of any of its revenues or assets.

**Schedule 6**  
**Seller protection provisions**

4

**1 Financial limitations**

- (a) The maximum aggregate liability of the Seller in respect of any Warranty Claim and any Claim shall not exceed the Consideration.
- (b) The maximum aggregate liability of the Seller in respect of the Indemnified Matter set out at Clause 8.1 shall not exceed the net amount actually received by the Seller (after any Tax payable in relation to the same) from time to time pursuant to the Original Indemnity (less any reasonable costs and expenses incurred by the Seller or any of its Affiliates in making a recovery under the Original Indemnity and which have not been paid (either before or after being incurred) by the Buyer).

**2 Time limitations and notice of claims**

- (a) No Warranty Claim shall be brought against the Seller unless written notice of it is given to the Seller by the Buyer (including, to the extent known, details of the nature of the Warranty Claim, the circumstances giving rise to it and the Buyer's bona fide estimate of any alleged loss) within two (2) years following the date of Completion.
- (b) The Buyer shall provide the Seller notice of a Warranty Claim (including, to the extent known, details of the nature of the Warranty Claim, the circumstances giving rise to it and the Buyer's bona fide estimate of any alleged loss) as soon as practicable after the Buyer becomes aware of the circumstances giving rise to the Warranty Claim.
- (c) The Seller shall have no liability for any Warranty Claim (that has not been previously satisfied or settled) unless the Buyer issues and serves legal proceedings on the Seller in respect of the Warranty Claim:
  - (i) within six months of the Warranty Claim ceasing to be contingent, if the Warranty Claim is based upon what, at the time of service of notice of the Warranty Claim on the Seller, was a contingent liability; or
  - (ii) within twelve months of the date on which the Buyer notified the Seller of the Warranty Claim, with regard to any other Warranty Claim.

**3 Other limitations**

- (a) The Buyer shall not be entitled to recover from the Seller in respect of any Claim or Warranty Claim more than once for the same loss suffered.
- (b) The Seller shall not be liable for any Warranty Claim or Indemnity Claim to the extent that the subject of the Warranty Claim or Indemnity Claim has been or is made good or is otherwise compensated for without cost or loss to the Buyer's Group or the Group Companies.
- (c) The Seller shall not be liable to the Buyer in respect of any Claim or Warranty Claim to the extent that the Claim or Warranty Claim in question or the breach on which the Claim or Warranty Claim is based:

- (i) arises as a result of any act or omission which is pursuant to this Agreement or occurs as a consequence of the execution and/or performance of this Agreement;
- (ii) arises or is increased wholly or partly as a result of any change in legislation, regulation, directive, enactment (including any legislation, regulation, directive, enactment not in force at the date of this Agreement) or any withdrawal of any practice or statutory concession of any government, governmental department or agency or any regulatory body occurring after the date of this Agreement, whether or not such change takes effect retrospectively or not after the date of this Agreement;
- (iii) arises or is increased as a consequence of a change in the interpretation of the Law in any jurisdiction after the date of this Agreement, or wholly or partly from an act or omission compelled by Law;
- (iv) would not have arisen but for any act, omission, transaction or arrangement carried out:
  - (A) at the written request of, or with the written consent of, the Buyer before Completion or under the terms of this Agreement and the Transaction Documents; or
  - (B) voluntarily by or with any member of the Buyer's Group and any Group Company (or their respective directors, officers, employees, agents or advisers) after Completion otherwise than in the ordinary and proper course of conducting the business of the Group as carried on immediately before Completion.
- (d) The Seller shall not be liable to the Buyer in respect of any Warranty Claim to the extent that the Warranty Claim in question or the breach on which the Warranty Claim is based is capable of remedy and the Seller remedies such circumstances to the reasonable satisfaction of the Buyer within 25 Business Days of receipt of notice from the Buyer notifying the Seller of such circumstances.
- (e) The Buyer shall not be entitled to claim for any indirect, special or consequential loss or damages in connection with a Warranty Claim.
- (f) Nothing in this Agreement shall limit or exclude the Buyer's common law duty to mitigate its loss.
- (g) Nothing in this Agreement limits the liability of the Seller in respect of its own fraud.
- (h) The Seller shall not be liable in respect of a Warranty Claim to the extent that the amount of such Warranty Claim is actually recovered by the Buyer or any member of the Buyer's Group:
  - (i) from any third party (whether by payment, discount, credit, relief or otherwise); or
  - (ii) under any policy of insurance (including the W&I Policy or any other similar warranty and indemnity insurance).

**Schedule 7**  
**Buyer and Buyer Guarantor warranties**

5

**1 Capacity and consents**

- (a) It is a company duly incorporated and organised and validly existing under the laws of its jurisdiction of incorporation.
- (b) It has the power and authority to enter into the Transaction Documents and to fully perform its obligations under them in accordance with their terms.
- (c) It does not require the consent, approval or authority of any other person to enter into or exercise its rights or perform its obligations under the Transaction Documents.
- (d) The entry into and the exercise by it of its rights and performance of its obligations under the Transaction Documents and the transactions contemplated by them will not constitute a breach or give rise to a default under any applicable Laws or any order, decree, judgement, or other obligation binding on it (including any provision of its constitutional documents) which has or could have a material adverse effect on its ability to execute or perform its obligations under the Transaction Documents.
- (e) It is not a party to any litigation, arbitration or administrative proceedings, nor is it the subject of any governmental, regulatory or official investigation or enquiry which is in progress or threatened or pending and which has a material adverse effect on its ability to execute or perform its obligations under the Transaction Documents.
- (f) No corporate action or other steps have been taken by it, or legal proceedings started or threatened against it for its winding up or dissolution; or for it to enter into any arrangement or composition for the benefit of creditors; or for the appointment of a receiver, administrator, administrative receiver, liquidator, supervisor, compulsory manager, trustee or similar person of any of its revenues or assets.

EXECUTION PAGE

Signed by ...Robert Stevens.....  
for and on behalf of **Tower Bridge (One) Limited**

) Name of signatory /s/ Robert Stevens  
)  
)  
Duly authorised person

Signed by ...Sean Windeatt.....  
for and on behalf of **BGC Partners, Inc.**

) Name of signatory /s/ Sean Windeatt  
)  
)  
Duly authorised person

Signed by ...Ant Erotocritou.....  
for and on behalf of **Ardonagh Specialty Holdings 2 Limited**

) Name of signatory /s/ Ant Erotocritou  
)  
)  
Duly authorised person

Signed by ...Diane Cougill.....  
for and on behalf of **The Ardonagh Group Limited**

) Name of signatory /s/ Diane Cougill  
)  
)  
Duly authorised person



**CERTIFICATION**

I, Howard W. Lutnick, certify that:

1. I have reviewed this report on Form 10-Q of BGC Partners, Inc. for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of this disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HOWARD W. LUTNICK

**Howard W. Lutnick**  
**Chairman of the Board and Chief Executive Officer**

Date: August 6, 2021

**CERTIFICATION**

I, Steven Bisgay, certify that:

1. I have reviewed this report on Form 10-Q of BGC Partners, Inc. for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of this disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN BISGAY

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**Steven Bisgay**  
**Chief Financial Officer**

Date: August 6, 2021

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the report of BGC Partners, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof, each of Howard W. Lutnick, Chairman of the Board and Chief Executive Officer of the Company, and Steven Bisgay, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HOWARD W. LUTNICK

**Name:** \_\_\_\_\_  
**Title:** **Howard W. Lutnick**  
**Chairman of the Board and Chief Executive Officer**

/s/ STEVEN BISGAY

**Name:** \_\_\_\_\_  
**Title:** **Steven Bisgay**  
**Chief Financial Officer**

Date: August 6, 2021