COHEN & STEERS INC
Form S-1/A
May 13, 2004

As filed with the Securities and Exchange Commission on May 13 , 2004.

Registration No. 333-114027

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

COHEN & STEERS, INC.*
(Exact name of Registrant as specified in its charter)

Delaware	6282	14-1904657
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

757 Third Avenue
New York, NY 10017
Telephone: (212) 832-3232
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

* Prior to the consummation of the offering registered by this Registration Statement and pursuant to the reorganization for the purpose of redomestication and reorganization into a holding company structure described in this Registration Statement, Cohen & Steers, Inc. will become the parent holding company of Cohen & Steers Capital Management, Inc. and, together with its direct and indirect subsidiaries (including Cohen & Steers Capital Management, Inc.), succeed to the business now conducted by Cohen & Steers Capital Management, Inc. and its subsidiaries.

Subject to Completion
Preliminary Prospectus dated May 13 , 2004

PROSPECTUS

Shares

Cohen & Steers, Inc.

Common Stock

This is Cohen & Steers, Inc.'s initial public offering. Cohen & Steers, Inc. is selling shares and the selling stockholders are selling shares.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol "CNS."

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 14 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Cohen & Steers, Inc.	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also purchase up to additional shares from us and up to additional shares from the selling stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2004.

Merrill Lynch & Co.

UBS Investment Bank **Wachovia Securities**

Bear, Stearns & Co. Inc.

The date of this prospectus is , 2004.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus.

All share amounts and per share data contained in this prospectus will be adjusted to reflect a for one stock split that we intend to effect prior to the consummation of this offering.

Unless indicated otherwise, the information included in this prospectus assumes no exercise by the underwriters of the overallotment option to purchase up to additional shares from us and up to additional shares from the selling stockholders and that the shares to be sold in this offering are sold at $ per share, which is the midpoint of the range indicated on the front cover of this prospectus.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and our consolidated financial statements and the notes to those statements before you decide to invest in our common stock.

Cohen & Steers

We are the nation's largest manager of real estate mutual funds, based on our proprietary real estate mutual fund assets under management , and we are a focused manager of income oriented equity securities portfolios. Our co-chairmen and co-chief executive officers and principals, Martin Cohen, 55, and Robert H. Steers, 51, founded Cohen & Steers as an investment advisor in 1986. While we continue to depend on the efforts of Mr. Cohen and Mr. Steers, we have built a deep and experienced team of professionals who are also vitally important to our success.

The foundation of our company is our investment department .. We were founded on the belief that fundamental research and analysis and active portfolio management can generate excess returns for our clients . Our dedication to research and active portfolio management has enabled us to provide attractive returns for our institutional clients and mutual fund shareholders for over 18 years. We have also developed an effective distribution network that has contributed, along with our investment performance, to the rapid growth in our assets under management.

Our assets under management have increased at a compound annual rate of growth of nearly 40% , to $15.5 billion at March 31 , 2004 from $3.8 billion at December 31, 1999. In addition, as of March 31 , 2004, we provided portfolio consulting services for more than $1.5 billion in assets, which are not included in our assets under management. As a complement to our asset management business, we also provide investment banking services to companies in real estate and real estate intensive businesses.

We operate in two distinct business segments:

- *Asset Management* .. Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from our mutual funds and investment advisory fees received from our institutional separate accounts. Fees earned by Asset Management are based on the net assets of each client's portfolio and on the net assets that underlie the investment products for which we provide portfolio consulting services.

- *Investment Banking.* Investment Banking derives revenue primarily from advising our clients on mergers, acquisitions, corporate restructurings, recapitalizations and similar corporate finance transactions and placing securities as agent for our clients. These fees are generally earned upon the consummation of the transaction pursuant to the terms of individual agreements.

The following table provides a breakdown of our consolidated and segment revenue and operating expenses for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue					
Asset Management Revenue	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Investment Banking Revenue	2,853	13,077	11,279	978	4,463

Consolidated Revenue	$ 35,294	$ 55,246	$ 70,341	$ 11,743	$ 27,309
Operating Expenses					
Asset Management Operating Expenses	$ 23,598	$ 37,633	$ 50,510	$ 10,843	$ 14,278
Investment Banking Operating Expenses	4,891	8,964	7,959	1,100	2,992
Consolidated Operating Expenses	$ 28,489	$ 46,597	$ 58,469	$ 11,943	$ 17,270

Asset Management

As of March 31 , 2004, we managed $4.5 billion in four open-end mutual funds, $7.7 billion in seven closed-end investment companies ("closed-end mutual funds") and $3.4 billion in 39 institutional separate account portfolios for institutional investors, including some of the world's largest pension and endowment funds. We also serve as portfolio consultant for non-proprietary unit investment trusts. Our investment vehicles and strategies currently focus on the following areas:

- Real Estate Investment Trust ("REIT") common and preferred stocks
- Utility common stocks
- Corporate preferred stocks

Throughout our history we have been innovators in developing income oriented equity portfolios and investment vehicles. Our principals, while employed at another firm, organized and managed the first open-end real estate mutual fund in 1985. We launched the first closed-end real estate mutual fund in 1988 and the first leveraged, closed-end real estate mutual fund in 2001. As of March 31 , 2004, we managed five of the ten largest open-end and closed-end real estate mutual funds. We were the first firm to segment REIT investing into separate, distinct investment strategies and in 1996 we began managing REIT preferred stock portfolios. We are a leader in combining complementary asset classes within a single investment vehicle, such as REITs with corporate preferred stocks or REITs with utility common stocks. In addition, we have developed a proprietary index for passive investment strategies. Our proprietary index is now the basis for the iShares Cohen & Steers Realty Majors Index Fund, the largest exchange traded real estate index fund. We also developed a hedging strategy for leveraged, closed-end mutual funds that has become a model for the industry.

Our Assets Under Management

The following table sets forth the breakdown of our total assets under management by account and security type as of the dates shown, and the compound annual growth rates (CAGR) for our assets under management since December 31, 1999.

Assets Under Management

	December 31,						December 31, 1999 to March 31 , 2004
	1999	2000	2001	2002	2003	March 31 , 2004 (2)	CAGR
	($ in millions)						
Breakdown by Account Type							
Closed-end Mutual Funds	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6	$ 7,664.5	179.0%
Open-end Mutual Funds	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0	28.2%
Institutional Separate Accounts	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8	11.8%
Total Assets Under Management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	39.6%
Breakdown by Security Type							

Real Estate Common Stocks	$ 3,606.1	$ 4,536.0	$ 5,259.4	$ 5,908.9	$ 9,892.6	$ 11,835.3	32.3%
Utility Common Stocks	—	—	—	—	—	1,296.1	n/a
Real Estate Preferred Stocks	32.4	55.7	266.6	597.1	836.0	1,205.1	134.2%
Corporate Preferred Stocks *	—	—	—	—	683.9	895.2	n/a
Fixed Income (1)	2.3	2.5	6.2	13.5	109.1	118.3	154.0%
Cash and Short-Term Investments	121.3	164.3	165.3	104.3	158.5	189.3	n/m
Total Assets Under Management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	39.6%

(1) Includes corporate bonds.

(2) Assumes that (i) the $338 million of cash in the Cohen & Steers REIT & Utility Income Fund has been invested based on the following portfolio composition: 40% in utility common stocks, 40% in real estate common stocks, 13% in real estate preferred stocks and 7% in corporate preferred stocks and (ii) the $581 million of cash in the Cohen & Steers Select Utility Fund has been invested based on the following portfolio composition: 78% in utility common stocks, 12% in real estate preferred stocks and 10% in corporate preferred stocks. Cohen & Steers REIT & Utility Income Fund and Cohen & Steers Select Utility Fund are funds which commenced operations during 2004 and as of March 31, 2004 had not yet fully invested their assets in accordance with these funds' stated policies.

* Corporate preferred stocks include traditional preferred stocks as well as "hybrid-preferred securities." Hybrid-preferred securities are forms of subordinated debt with many features, such as exchange listing and deferral, that replicate those of traditional preferred stock.

The following table sets forth the breakdown of our revenue from investment advisory and administration fees by account type.

	Year Ended December 31,						Three Months Ended March 31,			
	2001		2002		2003		2003		2004	
	($ in thousands)									
Investment advisory and administration fees:										
Closed-end mutual funds	$ 2,009	6.5%	$ 7,837	20.4%	$ 18,575	36.0%	$ 2,741	28.8%	$ 8,801	44.6%
Open-end mutual funds	18,019	58.5%	20,871	54.3%	24,225	46.9%	4,806	50.5%	8,282	42.0%
Institutional separate accounts	10,794	35.0%	9,707	25.3%	8,808	17.1%	1,973	20.7%	2,646	13.4%
Total	$ 30,822	100.0%	$ 38,415	100.0%	$ 51,608	100.0%	$ 9,520	100.0%	$ 19,729	100.0%

As of March 31, 2004 , approximately 49% of our assets under management was in closed-end mutual funds. For the three months ended March 31, 2004, 45% of our investment advisory and administration fees and 36% of Asset Management revenue were from closed-end mutual funds. Unlike open-end mutual funds, closed-end mutual funds are not subject to shareholder redemptions that can result in greater volatility in asset levels. As a result, a large proportion of our assets under management is relatively stable, providing us with similarly stable revenue under normal market conditions with respect to that part of our current business. Beginning in 2006 and continuing through 2012, certain investment advisory fee waivers on five of our closed-end mutual funds are scheduled to begin to expire, subject to approval by the fund's board of directors. We expect the expiration of these fee waivers to result in higher revenue, assuming constant asset levels.

Subsequent to March 31, 2004, the stock and bond markets have declined amid concerns that the Federal Reserve would raise interest rates in response to an increase in payroll employment and other economic indicators suggesting a growing U.S. economy. In particular, REIT stock prices declined by approximately 15%. As a result, our assets under management decreased to $13.5 billion on April 30, 2004 from $15.5 billion on March 31, 2004.

Our Investment Process

Our investment process is based on fundamental portfolio and company research. Our investment committees and portfolio managers formulate strategies that take into account the economy, industry fundamentals and the valuation landscape for each portfolio strategy. A dedicated investment committee oversees the portfolio manager and research team responsible for each of our portfolio strategies. Mr. Cohen, Mr. Steers and Joseph M. Harvey, our president, head our investment committees .

Our research analysts, each of whom is a specialist in certain industry sectors, must subject the companies that he or she covers to a rigorous fundamental analysis. We also require our research analysts to spend a significant amount of time interacting with and visiting company management, as well as talking to competitors, vendors, analysts and other industry participants. Investment performance is a primary determinant of incentive compensation for our investment professionals.

We have developed in-house valuation models that are unique to each of our portfolio strategies. These models use valuation methodologies that have proven, through both back-testing and actual results, to be highly effective in identifying relative value. We use our valuation models daily for portfolio construction and to manage portfolios with the strict discipline to which we adhere.

Our Historical Investment Performance

Our investment process and the experience of our investment team have helped us to establish a long track record of delivering attractive returns for our clients . The following table presents the performance of our primary portfolio strategies, which comprised 98% of our assets under management over the periods presented, since the inception date of each strategy and compares this performance to the returns of the benchmark and the S&P 500 Index over the same periods. We believe this presentation allows you to evaluate our ability to manage client assets over long periods of time.

Investment Performance
Inception through March 31 , 2004

		Annualized Excess Return (2) vs.	
Strategy (Inception Date)	**Total Return(1) (Annualized)**	**Benchmark***	**S&P 500 Index**
Total Return (3/85)	13.0%	1.1%	0.1%
Equity Income (8/88)	14.1%	1.9%	2.0%
Equity Income with Leverage (7/01)	24.8%	5.4%	26.2%
Special Equity (6/97)	13.6%	2.3%	8.4%
REIT Preferred Stocks (8/96)	14.8%	4.1%	5.6%

(1) Returns since inception before deduction of investment advisory fees and other expenses. Investment advisory fees and other expenses reduce returns to our clients. Calculated by computing the weighted average performance for all of our accounts that have the same objective and strategy. Past performance is not a guarantee of future performance.

(2) Represents the average annual amount for the stated period that the strategy's returns exceeded the returns for the benchmark and S&P 500 Index.

* National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index; and for REIT Preferred Stocks, Morgan Stanley REIT Preferred Index.

Our Distribution Network

Our distribution network encompasses the major channels in the asset management industry , including large brokerage firms, registered investment advisors (RIAs) and institutional investors. We are a leading sponsor in the market for closed-end mutual funds, and our open-end mutual funds are available for purchase through the major broker-dealers, the significant networks serving financial advisors and the no-load investment community, and certain “wrap fee” platforms. We provide advisory and administration services to four open-end and seven closed-end mutual funds under the Cohen & Steers brand name, which collectively have over 375,000 individual investors. Our institutional separate account relationships extend to institutions such as pension and endowment funds and insurance companies, and to high net worth individuals. In addition, we provide sub-advisory services in the variable annuity channel and to several products that are distributed outside of the United States, including Canada and Japan.

Asset Management Strategy

As a firm dedicated to creating portfolios of income producing equity securities with growth potential, we have capitalized, and we believe we are well positioned to continue to capitalize, on the increase in demand for these portfolios.

As the U.S. population ages and retirement savings continue to increase, we believe individuals will reallocate assets in their investment accounts in a manner that reduces volatility and produces higher levels of current income. We believe this change will also be true for many institutional investors, such as pension and endowment funds that are seeking higher yielding, lower volatility investments to meet their investment objectives. Additionally, recently enacted federal tax legislation has removed the long held advantage that long-term capital gains have held over corporate dividends, furthering demand for dividend income. Accordingly, we believe U.S. investors will continue to seek out current income opportunities. We expect mutual funds to be a primary vehicle for this investment.

Our business strategy includes the following key elements:

- *Capitalize on the Cohen & Steers Brand.* As the nation's largest manager of real estate mutual funds, a leading sponsor of closed-end mutual funds and as a result of our strong historical investment performance, we have developed a recognized brand name that has enabled us to expand our product offerings to include corporate preferred securities and utility common stocks. We believe that becoming a public company, along with our planned increases in marketing, product offerings, distribution and targeted advertising, will further strengthen our brand and enable us to continue to increase our market share with respect to many of our existing product and service offerings. We also believe we can leverage this brand awareness to offer new products and services that complement our existing offerings.

- *Diversify Product Offerings.* We have diversified our business beyond our historical strength in real estate securities to include corporate preferred securities and utility common stocks and have raised $2.4 billion in assets in these areas since 2003 . We intend to continue to expand our offerings in these security types, as well as in other high dividend yielding common stocks, by developing new proprietary open-end and closed-end mutual funds, sub-advising other firms' investment products and by offering our expertise to institutional investors.

- *Expand Wholesaling Sales Force.* We have built relationships with the major national and regional brokerage firms and have experienced success marketing and raising assets in our open-end and closed-end mutual funds. We believe these relationships will help us continue to attract assets as we launch new open-end mutual funds and, in order to further leverage these relationships, our near term plan includes adding several wholesalers to facilitate our mutual fund expansion.

- *Pursue New Areas of Distribution.* We plan to further penetrate several distribution areas, such as the international and the RIA markets. While we believe we have a strong presence in the RIA channel, the launch of new open-end mutual funds should enable us to penetrate this market further. The international arena also offers a significant opportunity to manage money for non-U.S. investors in Europe and Asia through both locally marketed collective investment vehicles and direct relationships with large institutions.

- *Pursue Acquisitions.* We selectively consider strategic acquisitions of asset management operating companies, either for cash or stock. This strategy may include “lift-outs” of teams of professionals from other asset management organizations, which may require nominal cash consideration. Our objectives include adding complementary asset management expertise to our business that provides additional growth opportunities and leverages our existing capabilities.

Investment Banking

As a complement to Asset Management , and to capitalize on our extensive expertise in public real estate securities and companies, in 1999 we established a highly specialized investment banking practice that services companies in real estate and real estate intensive businesses, such as the health care and hospitality businesses.

We have assembled a highly experienced team of investment banking professionals with a long-standing transactional track record in the real estate and health care industries. Since 1999, we have completed 44 transactions representing over $5 billion in value. Our professionals have developed long-standing relationships with many companies and have established a strong presence in our targeted market. As a result, we believe we are well positioned to take advantage of new advisory opportunities.

Our investment banking strategy focuses on providing a full range of services to a focused universe of companies in select real estate intensive businesses, including the following areas:

Mergers & Acquisitions—We provide a full range of merger and acquisition advisory services involving the purchase or sale of public or private companies or their business units .. We also facilitate leveraged buyouts and strategic capital infusions, and provide our clients with advice relating to takeover defenses. We have advised clients in 11 merger and acquisition transactions representing over $900 million in value.

Restructurings— We have developed a broad range of corporate restructuring advisory services. These services include advice with respect to debt and lease restructurings, recapitalization transactions, exchange offers and bankruptcy advisory services. We have advised clients in five restructuring assignments encompassing 17 transactions representing over $3.3 billion in value.

Capital Raising—We provide capital raising services as agent, and have completed 16 transactions which raised over $860 million, primarily SEC -registered direct placements of equity and preferred securities.

Dividend Policy

We intend to pay cash dividends on a quarterly basis and expect to declare our first quarterly dividend payment at an initial rate of $ per share in the quarter of 2004. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition and earnings, legal requirements and other factors as our board of directors deems relevant. See "Dividend Policy."

Our business is presently conducted by Cohen & Steers Capital Management, Inc. and its subsidiaries. Cohen & Steers Capital Management, Inc. was incorporated as a New York corporation in 1986 and is wholly owned by our principals and two trusts benefiting their families. Cohen & Steers, Inc. is a Delaware corporation that was formed on March 17, 2004. Cohen & Steers, Inc. has not engaged in any business or other activities except in connection with its formation and the reorganization whereby Cohen & Steers, Inc. will become the parent holding company of Cohen & Steers Capital Management, Inc. and, together with its direct and indirect subsidiaries (including Cohen & Steers Capital Management, Inc.), continue to conduct the business now conducted by Cohen & Steers Capital Management, Inc. and its subsidiaries. Completion of the reorganization is a condition to the consummation of this offering. See "Reorganization and S Corporation Status—Reorganization."

Our principal executive offices are located at 757 Third Avenue, New York, NY 10017, and our telephone number is (212) 832-3232. Our Web site is located at www.cohenandsteers.com. The information on our Web site is not a part of this prospectus.

The Offering

Common stock offered:	
By Cohen & Steers, Inc.	shares
By the selling stockholders	shares
Total	shares
Shares outstanding after the offering	shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million. We intend to use these net proceeds to continue to expand our asset management platform, to establish new investment vehicles, to make strategic acquisitions and for general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders.
Dividend policy	We intend to pay cash dividends on a quarterly basis and expect to declare our first quarterly dividend payment at an initial rate of $ per share in the quarter of 2004. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition and earnings, legal requirements and other factors as our board of directors deems relevant. See “Dividend Policy.”
Voting rights	Each share of common stock will entitle its holder to one vote per share.
Risk factors	See “Risk Factors” and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Determination of initial public offering price	Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us, the selling stockholders and the representatives of the underwriters. See “Underwriting—New York Stock Exchange Listing.”
Proposed New York Stock Exchange symbol	CNS

The number of shares of common stock outstanding after the offering excludes shares reserved for issuance under the 2004 Stock Incentive Plan and shares reserved for issuance under the 2004 Employee Stock Purchase Plan. We expect to grant certain employees an aggregate of restricted stock units pursuant to the 2004 Stock Incentive Plan on the date of the consummation of this offering .. See “Management—IPO Date Employee Awards.”

All share amounts and per share data contained in this prospectus will be adjusted to reflect a for one stock split that we intend to effect prior to the consummation of this offering.

Summary Consolidated Financial and Other Data

The following tables present summary consolidated financial and other data as of the dates and for the periods indicated. We derived the consolidated statement of financial condition data as of December 31, 2002 and 2003 and the consolidated statement of income data for each of the three years in the period ended December 31, 2003 from our consolidated financial statements audited by Deloitte & Touche LLP which are included elsewhere in this prospectus.

We derived the consolidated statement of financial condition data as of December 31, 1999, 2000 and 2001 and the consolidated statement of income data for each of the two years in the period ended December 31, 2000 from our unaudited consolidated financial statements which are not included in this prospectus. The unaudited consolidated financial statements have been prepared on substantially the same basis as the audited consolidated financial statements and include all adjustments that we consider necessary for a fair presentation of our consolidated financial position and results of operations for all periods presented.

We derived the consolidated statement of financial condition data as of March 31, 2004 and the consolidated statement of income data for each of the three months ended March 31, 2003 and 2004 from our unaudited interim consolidated financial statements which are included elsewhere in this prospectus. In the opinion of management, the unaudited interim consolidated financial statements financial statements have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, which are of a normal recurring nature, that we consider necessary for a fair presentation of our consolidated financial position and results of operations for the interim periods presented.

Our wholly owned subsidiary, Cohen & Steers Securities, LLC, commenced operations on July 1, 2002. On the same date, Cohen & Steers Securities, LLC succeeded to the business of Cohen & Steers Securities, Inc. (previously wholly owned by our principals) pursuant to a transaction accounted for as a merger of entities under common control and recorded in a manner similar to a pooling-of-interests. Accordingly, the previously separate historical financial position and results of operations of Cohen & Steers Securities, Inc. are combined with our consolidated financial position and results of operations for all periods presented.

For all periods presented, we operated as an S corporation and were not subject to U.S. federal and certain state income taxes. Our historical income tax expense consisted of New York State and New York City income taxes. Upon completion of this offering, we will become subject to U.S. federal and certain state and local income taxes applicable to C corporations. See "—Unaudited Consolidated Pro Forma Financial Information" and "Reorganization and S Corporation Status."

The historical consolidated results for "Employee compensation and benefits" include salaries and bonuses paid to our co-chief executive officers during our status as an S corporation that are not indicative of the salaries and bonuses to be expected for any future accounting periods. See "—Unaudited Consolidated Pro Forma Financial Information."

You should read this summary consolidated financial and other data together with the other information contained in this prospectus, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements.

Consolidated Statement of Income Data

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	($ in thousands, except per share data)						
Revenue							
Investment advisory and administration fees:							
Closed-end mutual funds	$ 743	$ 729	$ 2,009	$ 7,837	$ 18,575	$ 2,741	$ 8,801
Open-end mutual funds	15,291	15,102	18,019	20,871	24,225	4,806	8,282
Institutional separate accounts	9,749	11,288	10,794	9,707	8,808	1,973	2,646
Total investment advisory and administration fees	25,783	27,119	30,822	38,415	51,608	9,520	19,729
Distribution and service fee revenue	211	397	1,112	3,071	5,880	974	2,408
Portfolio consulting and other	1,618	1,104	507	683	1,574	271	709
Investment banking fees	3,375	8,097	2,853	13,077	11,279	978	4,463
Total revenue	30,987	36,717	35,294	55,246	70,341	11,743	27,309
Expenses							
Employee compensation and benefits	12,715	15,571	16,719	32,312	37,193	7,754	8,980
General and administrative	4,385	5,568	6,651	6,916	8,007	1,719	2,757
Distribution and service fee expenses	2,973	2,721	4,069	4,744	9,190	1,427	4,195
Amortization, deferred commissions	162	170	533	1,698	3,077	810	1,057
Depreciation and amortization	257	402	517	927	1,002	233	281
Total operating expenses	20,492	24,432	28,489	46,597	58,469	11,943	17,270
Operating income (loss)	10,495	12,285	6,805	8,649	11,872	(200)	10,039
Non-operating income (expense)							
Interest and dividend income	369	692	513	525	435	97	101
Interest expense	(32)	(42)	(60)	(127)	(156)	(36)	(42)
Total non-operating income	337	650	453	398	279	61	59
Income (loss) before income taxes	10,832	12,935	7,258	9,047	12,151	(139)	10,098
Income tax expense (benefit) (1)	1,089	1,297	654	611	100	(24)	767
Net income (loss)	$ 9,743	$ 11,638	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331
Net income (loss) per share—basic and diluted	$ 108.14	$ 129.17	$ 73.30	$ 92.83	$ 131.50	$ (1.25)	$ 101.82
Weighted average shares outstanding—basic and diluted	90,100	90,100	90,100	90,871	91,642	91,642	91,642

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the explanation of the decrease in income tax expense from the year ended December 31, 2002 to the year ended December 31, 2003.

Consolidated Statement of Income Data by Segment

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	($ in thousands)						
Asset Management							
Total revenue	$ 27,612	$ 28,506	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Total operating expenses	17,542	18,197	23,598	37,633	50,510	10,843	14,278
Operating income (loss)	10,070	10,309	8,843	4,536	8,552	(78)	8,568
Total non-operating income	333	426	396	325	249	53	53
Income (loss) before income taxes	10,403	10,735	9,239	4,861	8,801	(25)	8,621
Income tax expense (benefit)	1,046	1,067	865	205	(46)	90	666
Net income (loss)	$ 9,357	$ 9,668	$ 8,374	$ 4,656	$ 8,847	$ (115)	$ 7,955
Investment Banking							
Total revenue	$ 3,375	$ 8,211	$ 2,853	$ 13,077	$ 11,279	$ 978	$ 4,463
Total operating expenses	2,950	6,235	4,891	8,964	7,959	1,100	2,992
Operating income (loss)	425	1,976	(2,038)	4,113	3,320	(122)	1,471
Total non-operating income	4	224	57	73	30	8	6
Income (loss) before income taxes	429	2,200	(1,981)	4,186	3,350	(114)	1,477
Income tax expense (benefit)	43	230	(211)	406	146	(114)	101
Net income (loss)	$ 386	$ 1,970	$ (1,770)	$ 3,780	$ 3,204	$ —	$ 1,376

Consolidated Statement of Financial Condition Data

	December 31,					March 31,
	1999	2000	2001	2002	2003	2004
	($ in thousands)					
Cash and cash equivalents	$ 4,699	$ 4,737	$ 2,750	$ 6,090	$ 7,526	$ 8,574
Total assets	14,343	16,547	17,853	24,394	34,523	39,927
Total current liabilities	2,019	2,370	2,712	2,904	7,257	14,419
Total long-term liabilities	500	500	1,430	4,798	6,492	6,324
Total liabilities	2,519	2,870	4,142	7,702	13,749	20,743
Total stockholders' equity	11,824	13,677	13,711	16,692	20,774	19,184

Component Changes in Assets Under Management (AUM)

	Year Ended December 31,					Three Months Ended March 31,
	1999	2000	2001	2002	2003	2004
	($ in millions)					
Total accounts						
Beginning AUM	$ 3,991.4	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1
Net flows	(260.1)	9.5	648.5	808.3	2,633.8	2,683.9
Net appreciation	30.8	986.9	290.5	118.0	2,422.5	1,175.3
Total assets under management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3
Closed-end mutual funds						
Beginning AUM	$ 113.6	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6
Net flows	0.0	0.0	479.8	1,563.7	1,977.9	2,474.6
Net appreciation	(15.6)	16.2	6.7	(50.1)	698.4	399.3
Total closed-end mutual funds	98.0	114.2	600.7	2,114.3	4,790.6	7,664.5
Open-end mutual funds						
Beginning AUM	2,043.6	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1
Net flows	(484.8)	113.5	138.7	121.3	528.9	199.2
Net appreciation	12.7	392.5	98.4	16.5	915.8	417.7
Total open-end mutual funds	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0
Institutional separate accounts						
Beginning AUM	1,834.2	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4
Net flows	224.7	(104.0)	30.0	(876.7)	127.0	10.1

Net appreciation	33.7	578.2	185.4	151.6	808.3	358.3
Total institutional separate accounts	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8
Total assets under management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3
Total net flows/beginning AUM (%)	-6.5%	0.3%	13.6%	14.2%	39.8%	23.0%
Total change in AUM (%)	-5.7%	26.5%	19.7%	16.3%	76.3%	33.0%

Unaudited Consolidated Pro Forma Financial Information

The following unaudited pro forma condensed consolidated financial statements have been derived by applying pro forma adjustments to our historical consolidated financial statements included elsewhere in this prospectus.

The unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2003 and the three months ended March 31, 2004 give effect to:

- the reduction in "Employee compensation and benefits" of $7.1 million for the year ended December 31, 2003 and $0.3 million for the three months ended March 31, 2004 relating to the revocation of our S corporation status to reflect the reduced compensation which would have been payable to our co-chief executive officers if the employment agreements with these individuals described in "Management—Employment Agreements" had been in effect since January 1, 2003; and

- the additional income taxes of $8.0 million for the year ended December 31, 2003 and $3.6 million for the three months ended March 31, 2004 which would have been payable if we had revoked our S corporation tax status and elected to be taxed as a C corporation on January 1, 2003, based on an estimated combined effective tax rate of 42% . Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of our historical income tax expense.

The unaudited pro forma condensed consolidated statement of financial condition as of March 31, 2004 gives effect to:

- the recognition of the additional net deferred tax liability and corresponding deferred income tax expense of $0.5 million that would have been recorded had we revoked our S corporation tax status and elected to be taxed as a C corporation on March 31, 2004 ; and

- the accrual of the $14 million S corporation distribution to our stockholders described in "Reorganization and S Corporation Status—S Corporation Status" that would have been recorded had this distribution been declared on March 31, 2004 .

The adjustments necessary to fairly present the unaudited pro forma condensed consolidated financial statements have been based on available information and assumptions that we believe are reasonable. The unaudited pro forma condensed consolidated statements of income and financial condition are presented for illustrative purposes only and do not purport to represent our consolidated results of operations or financial position that would actually have occurred had the transactions referred to above been consummated on January 1, 2003 for the consolidated statements of income and on March 31, 2004 for the consolidated statement of financial condition, or to project our consolidated results of operations or financial position for any future date or period.

The unaudited pro forma condensed consolidated statements of income and financial condition do not give effect to accounting for the termination of our existing Stock Appreciation Rights Plan, which we refer to as our SAR plan, described in "Management—Stock Appreciation Rights Plan," and the grant of restricted stock units on the date of the consummation of this offering, described in "Management—IPO Date Employee Awards." We will record compensation expense in connection with the grant of these restricted stock units based on the initial public offering price of the underlying common stock, as adjusted for cumulative compensation cost recorded on the existing SAR plan. Assuming an initial public offering price of $ per share, we expect to record compensation expense of approximately $ million on the date of the consummation of this offering. If the initial public offering price per share is higher than $, we will record a greater amount of compensation expense.

As described in "Reorganization and S Corporation Status—Reorganization," prior to the consummation of this offering, we will effect a reorganization whereby Cohen & Steers Inc. will become the parent holding company of Cohen & Steers Capital Management, Inc., and, together

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with its direct and indirect subsidiaries (including Cohen & Steers Capital Management, Inc.), continue to conduct the business now conducted by Cohen & Steers Capital Management, Inc. and its subsidiaries. This reorganization does not have an impact on our pro forma consolidated results of operations or financial position. Please see "Reorganization and S Corporation Status—Reorganization" for a further description of the reorganization as well as of the terms of the merger agreement.

You should read this unaudited pro forma condensed consolidated financial information together with the other information contained in this prospectus, including "Reorganization and S Corporation Status," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our audited consolidated financial statements and the notes thereto , including Note 3—Pro Forma Financial Information (unaudited), and our unaudited interim consolidated financial statements and the notes thereto, including Note 2—Pro Forma Financial Information .

Unaudited Pro Forma Condensed Consolidated Statements of Income

	Historical Year Ended December 31, 2003	Pro Forma Adjustments	Pro Forma Adjusted Year Ended December 31, 2003	Historical Three Months Ended March 31, 2004	Pro Forma Adjustments	Pro Forma Three Months Ended March 31, 2004
	($ in thousands, except per share data)			($ in thousands, except per share data)		
Revenue						
Investment advisory and administration fees	$ 51,608		$ 51,608	$ 19,729		$ 19,729
Distribution, portfolio consulting and other revenue	7,454		7,454	3,117		3,117
Investment banking fees	11,279		11,279	4,463		4,463
Total revenue	70,341		70,341	27,309		27,309
Expenses						
Employee compensation and benefits	37,193	(7,116)(a)	30,077	8,980	(270) (a)	8,710
General and administrative	8,007		8,007	2,757		2,757
Distribution and service fee expenses	9,190		9,190	4,195		4,195
Amortization, deferred commissions	3,077		3,077	1,057		1,057
Depreciation and amortization	1,002		1,002	281		281
Total operating expenses	58,469	(7,116)	51,353	17,270	(270)	17,000
Operating income	11,872	7,116	18,988	10,039	270	10,309
Non-operating income	279		279	59		59
Income before income taxes	12,151	7,116	19,267	10,098	270	10,368
Income taxes	100	7,992(b)	8,092	767	3,588(b)	4,355
Net income	$ 12,051	$ (876)	$ 11,175	$ 9,331	$ (3,318)	$ 6,013
Earning per share						
Net income per share—basic and diluted	$ 131.50		$ 121.94	$ 101.82		$ 65.61
	91,642		91,642	91,642		91,642

Weighted average shares outstanding—basic and diluted	

(a) Gives effect to the reduction in our co-chief executive officers' total compensation relating to the revocation of our S corporation status to reflect the reduced compensation which would have been payable to our co-chief executive officers if the new employment agreements with these individuals had been in effect since January 1, 2003. For the year ended December 31, 2003, the $7.1 million pro forma adjustment is calculated as the total historical co-chief executive officers' compensation of $10.1 million (consisting of $2.1 million salary and $8 million bonus) less the total pro forma co-chief executive officers' compensation of $3 million (consisting of $1 million salary and $2 million bonus) per the new employment agreements. For the three months ended March 31, 2004, the $0.3 million pro forma adjustment is calculated as the total historical co-chief executive officers' compensation of $0.5 million (consisting of salary only) less the total pro forma co-chief executive officers' compensation of $0.2 million (consisting of salary only) per the new employment agreements.

(b) Gives effect to additional income taxes which would have been payable if we had been a C corporation instead of an S corporation, based on an estimated combined effective tax rate of 42% ..

Unaudited Pro Forma Condensed Consolidated Statement of Financial Condition

	Historical March 31, 2004	Pro Forma Adjustments	Pro Forma March 31, 2004
Assets			
Current assets:			
Cash and cash equivalents	$ 8,574		$ 8,574
Accounts receivable	10,818		10,818
Marketable securities available-for-sale	7,390		7,390
Due from affiliates	889		889
Income tax refunds receivable	398		398
Prepaid expenses and other current assets	1,962		1,962
Total current assets	30,031		30,031
Property and equipment—net	3,082		3,082
Other assets	6,814		6,814
Total	$ 39,927		$ 39,927
Liabilities and stockholders' equity			
Current liabilities:			
Accrued expenses and compensation	$ 13,423		$ 13,423
Current portion of long-term debt and obligations under capital leases	132		132
Deferred income tax liability	136	518(a)	654
Other current liabilities	728	14,000(b)	14,728
Total current liabilities	14,419	14,518	28,937
Long-term liabilities:			
Bank line of credit	4,584		4,584
Long-term debt	1,632		1,632
Obligations under capital leases and other long-term liabilities	108		108
Total long-term liabilities	6,324		6,324
Stockholders' equity:			
Common stock	92		92
Additional paid-in capital	3,867		3,867
Retained earnings	13,026	(14,518)(c)	(1,492)
Accumulated other comprehensive income	2,199		2,199
Total stockholders' equity	19,184	(14,518)	4,666
Total	$ 39,927	$ —	$ 39,927

(a) Gives effect to the revocation of our S corporation election and the recognition of the additional net deferred tax liability and corresponding deferred income tax expense that would have been recorded had we elected to be taxed as a C corporation on March 31, 2004.

(b) Gives effect to the accrual of the S corporation distribution to our stockholders that would have been recorded had this distribution been declared on March 31, 2004.

(c) Gives effect to: (i) deferred income tax expense as disclosed in footnote (a) above and (ii) the accrual of the S corporation distribution as disclosed in footnote (b) above.

RISK FACTORS

An investment in our common stock involves risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in our common stock.

Risks Related to Our Business

We depend on Mr. Cohen and Mr. Steers, and the loss of their services would have a material adverse effect on us.

We depend on the efforts of Mr. Cohen and Mr. Steers, our co-chairmen and co-chief executive officers. Mr. Cohen and Mr. Steers head each of our investment committees with our president, Mr. Harvey, and they oversee the portfolio manager and research teams responsible for each of our portfolio strategies.

In August 2003, we instituted certain organizational changes that, among other things, were designed to address future succession issues. Pursuant to these changes, Mr. Cohen and Mr. Steers each assumed the titles of co-chairman and co-chief executive officer, Mr. Harvey was appointed president and Adam M. Derechin was appointed chief operating officer. These changes created an organizational structure that is designed to function effectively without Mr. Cohen and/or Mr. Steers. Although we expect Mr. Cohen and Mr. Steers to continue to act in their current positions, the loss of their services would have a material adverse effect on us.

Our ability to operate our company effectively could be impaired if we lose key personnel.

The market for qualified portfolio managers is extremely competitive. We anticipate that it will be necessary for us to add portfolio managers and investment analysts as we further diversify our investment products and strategies. See "Business—Asset Management Strategy." There can be no assurance, however, that we will be successful in our efforts to recruit and retain the required personnel. In addition, our investment professionals and senior marketing personnel have direct contact with our institutional separate account clients, which can lead to a strong client relationship. The loss of these personnel could jeopardize our relationships with certain institutional separate account clients, and result in the loss of such accounts. Further, investment banking relies on the expertise, business origination efforts and client relationships of our senior investment banking professionals. The loss of these professionals could jeopardize our relationships with Investment Banking clients and could result in the loss of such clients. Moreover, when we become a public company, we intend to employ compensation mechanisms involving the use of equity compensation that may not be effective, especially if the market price of our common stock declines. The loss of key personnel or the inability to recruit and retain portfolio managers, marketing personnel and investment banking professionals could have a material adverse effect on our business.

A decline in the prices of securities could lead to a decline in our assets under management, revenue and earnings.

A significant majority of our revenue—approximately 73% for the year ended December 31, 2003—is derived from investment advisory and administration agreements with our clients. Under these agreements, the investment advisory and administration fees we receive are typically based on the market value of assets under management. Accordingly, a decline in the prices of securities generally, and real estate securities in particular, may cause our revenue and income to decline by:

- causing the value of our assets under management to decrease, which would result in lower investment advisory and administration fees; or

- causing our clients to withdraw funds in favor of investments they perceive as offering greater opportunity or lower risk, which would also result in lower investment advisory and administration fees.

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The securities markets are highly volatile, and securities prices may increase or decrease for many reasons, including economic, financial or political events, that we cannot control.

Subsequent to March 31, 2004, the stock and bond markets have declined amid concerns that the Federal Reserve would raise interest rates in response to an increase in payroll employment and other economic indicators suggesting a growing U.S. economy. In particular, REIT stock prices declined by approximately 15%. As a result, our assets under management decreased to $13.5 billion on April 30, 2004 from $15.5 billion on March 31, 2004.

A general decline in the performance of securities in the real estate sector could have an adverse effect on our assets under management and revenue.

A high proportion of the assets managed by us are concentrated in real estate securities. Real estate securities and real property investments owned by the issuers of real estate securities are subject to varying degrees of risk. The returns from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (e.g., Americans with Disabilities Act and tax laws), interest rate levels, and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, the income and ability of the real estate company to make payments of any interest and principal on debt securities or any dividends on common or preferred stocks will be adversely affected. In addition, real property and loans on real property may be subject to the quality of credit extended and defaults by borrowers and tenants. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company may also have joint venture investments in certain properties and, consequently, its ability to control decisions relating to such properties may be limited. Declines in the performance of real estate securities could reduce our assets under management and our revenue .

Our growth may be constrained by the limited size and number of issuers in the real estate securities market .

Real estate securities investment continues to play an important role in the overall prospects of our business. Our ability to continue our growth in real estate securities management depends in part on growth in the size and number of issuers in the real estate securities market, particularly in the United States. For example, due to the constraints in the size and number of U.S. public real estate securities and issuers, we have in the past and may in the future stop accepting new assets in real estate securities institutional separate account portfolios in certain strategies and in certain of our open-end mutual funds. We also may be constrained in our ability to sponsor new closed-end mutual funds that invest primarily or significantly in domestic real estate securities. Such constraints may impair our ability to increase our assets under management and our revenue.

A decline in the market for closed-end mutual funds could reduce our ability to raise future assets under management.

Market conditions may preclude us from increasing our assets under management in closed-end mutual funds. A significant portion of our recent growth in assets under management has resulted from public offerings of the shares of our closed-end mutual funds. The market conditions for these offerings may not be as favorable in the future, which could adversely impact our ability to grow our assets under management and our revenue .

Our clients can remove the assets we manage on short notice, making our future client and revenue base unpredictable.

Our investment advisory and administration agreements are generally terminable upon 60 or fewer days' notice. In addition, open-end mutual fund investors may redeem their investments in the mutual funds at any time without prior notice. Moreover, each investment advisory agreement,

including the fees payable thereunder, with an investment company is subject to annual approval by the investment company's board, as well as by a majority of the directors who are not interested persons, which approval may not occur. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationships with us, reduce the aggregate amount of our assets under management or shift their funds to other types of accounts with different rate structures for any of a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In a declining stock market the pace of mutual fund redemptions could accelerate. Poor performance relative to other asset management firms tends to result in decreased purchases of mutual fund shares, increased redemptions of mutual fund shares, and the loss of institutional or individual accounts or strategic alliances. Under certain circumstances, stockholder activists may pressure one or more of our closed-end mutual funds to tender for its shares, open-end, liquidate or take other actions that may adversely affect the fees we receive from the affected closed-end mutual funds. The decrease in revenue that could result from any such event could have a material adverse effect on our business.

In addition, as required by the Investment Company Act of 1940 and the Investment Advisers Act of 1940 , each of our investment advisory agreements automatically terminates upon its “assignment.” A sale of a sufficient number of shares of our voting securities to transfer control of us could be deemed an “assignment” in certain circumstances. An assignment, actual or constructive, will trigger these termination provisions and may adversely affect our ability to continue managing our open-end and closed-end mutual funds and our institutional separate accounts .

Loss of significant institutional separate accounts would decrease our revenue.

We managed 39 institutional separate account portfolios at March 31 , 2004, of which the five largest represented approximately 53% of our assets under management in institutional separate accounts and approximately 11% of our total assets under management. Approximately 7% of our total revenue during 2003 was derived from these five largest institutional separate account portfolios. Loss of any of these institutional separate accounts would reduce our revenue. We have, from time to time, lost institutional separate accounts because of decisions by our clients to reallocate their assets to different asset classes or to move their assets to our competitors. In the future we could lose accounts under these or other circumstances, such as adverse market conditions or poor investment performance.

Future investment performance could reduce our assets under management, revenue and income.

Success in the asset management business is dependent on investment performance as well as distribution and client service. Relatively poor performance tends to result in decreased sales, increased withdrawals and redemptions in the case of the open-end mutual funds, and in the loss of separately managed accounts, with corresponding decreases in revenue .. Many analysts of the mutual fund business believe that investment performance is the most important factor for the growth of open-end mutual funds. Failure of our investment products to perform well could, therefore, have a material adverse effect on our current performance and future growth.

Rising interest rates could negatively impact our business.

Asset Management could be negatively impacted by rising interest rates. Rising interest rates could reduce the value of the securities in our client portfolios, which would reduce our revenue. Rising interest rates also may negatively impact our ability to raise assets for our current mutual funds or to offer new mutual funds. In addition, a rise in interest rates may cause investors in our open-end mutual funds to redeem their shares and may result in our institutional separate account clients withdrawing assets or terminating their advisory relationship with us.

The inability to access clients through intermediaries could have a material adverse effect on our business .

Our ability to distribute our mutual funds and subadvisory services is highly dependent on access to the client base of national and regional securities firms, banks, insurance companies, defined contribution plan administrators and other intermediaries which generally offer competing investment products. To a lesser extent, our institutional separate account asset management business depends on referrals from financial planners and other professional advisors, as well as our existing clients. We cannot be sure that we will continue to gain access to these channels. The inability to have this access could have a material adverse effect on our business.

While we continue to diversify and add new distribution channels for our open-end and closed-end mutual funds, a significant portion of the growth in our assets under management in our mutual funds in recent years has been accessed through intermediaries, including Merrill Lynch & Co., UBS and Wachovia. Loss of any of these distribution channels, and the inability to access clients through new distribution channels, could adversely affect our results of operations and business prospects.

Fee pressures could reduce profit margins.

There has been a trend toward lower fees in some segments of the asset management business. In order for us to maintain our fee structure in a competitive environment, we must be able to provide clients with investment returns and service that will encourage them to be willing to pay such fees. Accordingly, there can be no assurance that we will be able to maintain our current fee structure or take advantage of scheduled fee increases. Fee reductions on existing or future new business could have an adverse impact on our profit margins and results of operations.

Our business strategy may not be successful.

Our business strategy involves diversifying Asset Management to include products and services outside the real estate securities area. This may entail hiring additional portfolio managers in areas in which we do not have significant prior experience or acquiring other asset management firms. We may not be successful in locating and hiring or acquiring such portfolio managers or asset management firms and any such hiring activity or acquisitions may not be successful. In addition, in the event the recently enacted U.S. federal income tax legislation, which generally provides for a 15% maximum tax rate on dividends, is rescinded or is not extended beyond its January 1, 2009 expiration date, our business strategy could be adversely impacted as a result of diminished demand for income producing equity securities.

We could experience losses and significant volatility in connection with the activities of Investment Banking ..

Investment Banking has historically earned revenue almost exclusively from advisory and placement fees paid to us by our clients. These fees are based in large part upon the successful completion of the client's merger, acquisition, restructuring or capital raising transaction. Our investment banking clients generally retain us on a non-exclusive, short term, engagement-by-engagement basis rather than under exclusive long-term agreements. As these transactions are singular in nature and our engagements are not likely to recur, we must seek out new investment banking engagements when our current engagements are completed or are terminated. As a result, high investment banking activity levels in any period are not necessarily indicative of continued high levels of activity in the next succeeding or any other period. In addition, when an investment banking engagement is terminated, whether due to the cancellation of a transaction due to market reasons or otherwise, we may earn limited or no fees and may not be able to recover the costs that we incurred prior to that termination.

Moreover, each year we advise a limited number of investment banking clients. The composition of the group comprising our largest clients varies significantly from year to year. We expect that our investment banking engagements will continue to be limited to a relatively small number of clients and that an even smaller number of those clients will account for a high

percentage of revenue in any particular year. For example, four of our clients represented 97% of Investment Banking revenue in 2003. Consequently , the adverse impact on the results of Investment Banking of one lost mandate or the failure of one transaction or restructuring on which we are advising to be completed could be significant.

Compliance failures and changes in regulation could adversely affect us.

Asset Management is subject to client guidelines and our mutual fund business involves compliance with numerous investment, asset valuation, distribution and tax requirements. A failure to adhere to these guidelines or satisfy these requirements could result in losses which could be recovered by the client from us in certain circumstances.

Our businesses are subject to extensive regulation in the United States, including by the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. ("NASD"). We are also subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. Our failure to comply with applicable laws or regulations could result in fines, suspensions of personnel or other sanctions, including revocation of the registration of any of our subsidiaries as an investment advisor or broker-dealer. Changes in laws or regulations or in governmental policies could have a material adverse effect on us. See "Business—Regulation."

In response to recent scandals in the financial services business regarding late trading, market timing, selective disclosure of portfolio information, and advisory and distribution fees, various legislative and regulatory proposals are pending in or before, or have been approved by, Congress, the legislatures in states in which we conduct operations and the various regulatory agencies that supervise our operations. These proposals, if enacted or adopted, could have a substantial impact on the regulation and operation of our mutual funds and could adversely affect our assets under management . Additionally, the Securities and Exchange Commission, the NASD and other regulators, as well as Congress, are investigating certain practices within our industry.

Failure to comply with new Securities and Exchange rules may result in a prohibition on our activities.

We and our mutual funds are subject to new Securities and Exchange Commission rules that require investment companies and investment advisors registered with the Securities and Exchange Commission to adopt and implement comprehensive compliance policies and procedures, review those policies and procedures at least annually for their adequacy and the effectiveness of their implementation and designate a chief compliance officer. Failure to satisfy these rules could result in fines or temporary or permanent prohibition on our activities.

Failure to comply with "fair value" pricing and late trading policies and procedures may adversely affect us.

Recently adopted Securities and Exchange Commission rules will require mutual funds to adopt "fair value" pricing procedures to address time zone arbitrage, selective disclosure procedures to protect mutual fund portfolio information and procedures to ensure compliance with a mutual fund's disclosed market timing policy. The Securities and Exchange Commission has also proposed further rule amendments to eliminate late trading of mutual fund shares. New Securities and Exchange Commission rules will also require our funds to ensure compliance with their own market timing policies. Our funds are subject to these rules and, in the event of non-compliance, we may be required to disgorge certain revenue. In addition, we could have penalties imposed on us, be required to pay fines or be subject to private litigation which could decrease our future income .

New regulations restricting the use of "soft dollars" could result in an increase of our expenses.

On behalf of our mutual fund and investment advisory clients, we make decisions to buy and sell securities for each portfolio, select broker-dealers to execute trades and negotiate brokerage commission rates. In connection with these transactions, we may receive "soft dollar credits" from

broker-dealers that we can use to defray certain of our expenses. If regulations are adopted revising or eliminating the ability of asset managers to receive rebates of brokerage commissions through "soft dollars," our operating expenses would increase.

The asset management and investment banking industries are intensely competitive.

The asset management industry is intensely competitive, with competition based on a variety of factors, including:

- investment performance,
- the quality of service provided to clients,
- the level of fees and commissions charged for services,
- brand recognition and business reputation,
- the range of products offered,
- the level of expenses paid to financial intermediaries related to administration and/or distribution, and
- financial strength.

Investment Banking faces intense competition from other investment banking and financial advisory firms. We compete with these firms on the basis of a number of factors, including:

- transaction execution skills,
- range of services,
- innovation,
- reputation, and
- price.

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products, from loans, deposit-taking and insurance to brokerage and investment banking services, which may enhance their competitive position.

We compete in all aspects of our business with a large number of asset management firms, commercial banks, investment banks, broker-dealers, insurance companies and other financial institutions. A number of factors serve to increase our competitive risks:

- A number of our competitors have greater capital and other resources, and offer more comprehensive lines of products and services, than we do.
- The recent trend toward consolidation within the asset management industry , and the securities business in general, has served to increase the size and strength of a number of our competitors.
-

There are relatively few barriers to entry by new asset management firms, including a relatively low cost of entering the asset management industry , and the successful efforts of new entrants into our various lines of business, including major banks, insurance companies and other financial institutions, have resulted in increased competition.

- Other industry participants will from time to time seek to recruit our Asset Management and Investment Banking professionals and other employees away from us.

- Our competitors are seeking to expand market share in the products and services we offer or intend to offer in the future.

This competitive pressure could reduce our revenue and earnings.

Our business is heavily dependent upon computer based systems to process transactions; systems failures may disrupt our business and limit our growth.

Our business is highly dependent on communications and information systems and those of our key service vendors. Any failure or interruption of such systems could have a material adverse effect on our operating results. Operational risk arises from mistakes made in the confirmation or settlement of transactions or from the improper recording or accounting of transactions. We are highly dependent on our ability to process a large number of transactions on a daily basis, and rely heavily on financial, accounting and other data processing systems. If any of these do not function properly, we could suffer financial loss, business disruption, liability to clients, regulatory intervention or damage to our reputation. If systems are unable to accommodate an increasing volume of transactions, our ability to expand could be affected. Although we have back-up systems in place, we cannot be sure that a failure or interruption of any such systems, whether caused by a fire, other natural disaster, power or telecommunications failure, act of war, terrorist act or otherwise, will not occur, or that back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

We expect to record a substantial net loss in the fiscal quarter ending , 2004 due to the grant of restricted stock units on the date of the consummation of this offering.

We expect to record a substantial loss in the quarter ending , 2004 as the result of the grant of restricted stock units on the date of the consummation of this offering described in “Management—IPO Date Employee Awards.” We will record compensation expense in connection with the grant of these restricted stock units based on the initial public offering price of the underlying common stock, as adjusted for cumulative compensation cost recorded on our existing Stock Appreciation Rights Plan, which we will terminate at that time. Assuming an initial public offering price of $ per share, we expect to record compensation expense of approximately $ million on the date of the consummation of this offering. If the initial public offering price per share is higher than $, we will record a greater amount of compensation expense .

Risks Related to Our Common Stock and This Offering

We will continue to be controlled by Mr. Cohen and Mr. Steers, whose interests may differ from those of other stockholders.

Upon completion of the offering, our principals, Mr. Cohen and Mr. Steers, will beneficially own , in the aggregate, approximately % of our common stock. As long as Mr. Cohen and Mr. Steers control a majority of the common stock, they will have the ability to elect all of the members of our board of directors and thereby control our management and affairs, including compensation decisions and determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities and the declaration and payment of dividends on the common stock. In addition, they will be able to determine the outcome of matters submitted to a vote of our stockholders for approval. The control exerted by our principals could preclude any unsolicited acquisition of us and, consequently, adversely affect the market price of the common stock or prevent our stockholders from realizing a premium on their shares. The interests of our principals could differ from those of other stockholders in instances where, for example, our principals' compensation is being determined or where an unsolicited acquisition of us could result in a change in our management.

There may not be an active trading market for shares of our common stock, which may cause our common stock to trade at a discount from its initial offering price and make it difficult to sell the shares you purchase.

Prior to this offering, there has been no public trading market for shares of our common stock. It is possible that, after this offering, an active trading market will not develop or continue. The initial public offering price per share of our common stock will be determined by agreement among us, the selling stockholders and the representative of the underwriters, and may not be

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indicative of the price at which the shares of our common stock will trade in the public market after this offering.

Sales of a substantial number of shares of our common stock following this offering may adversely affect the market price of our common stock; and the issuance of additional shares will dilute all other stockholdings.

Sales of a substantial number of shares of our common stock in the public market or otherwise following this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock. Our principals, who will beneficially own, in the aggregate, shares of our common stock immediately following the offering (or shares assuming the underwriters exercise their overallotment option in full), have advised us that they intend to sell additional shares of our common stock over a period of time, subject to the restrictions referred to in “Underwriting.” Subject to the restrictions referred to in “Underwriting,” we may also issue substantial amounts of common stock in the future, including pursuant to employee benefit plans, which would dilute the percentage ownership held by the investors who purchase our shares in this offering. We expect to grant to certain employees an aggregate of fully vested restricted stock units pursuant to the 2004 Stock Incentive Plan on the date of the consummation of this offering in connection with the termination of our existing Stock Appreciation Rights Plan. In general, subject to a participant's compliance with certain restrictive covenants, the shares of common stock underlying the restricted stock units will be delivered to each participant as follows: 20% will be delivered on the last business day in January 2006; 40% will be delivered on the last business day in January 2007; and 40% will be delivered on the last business day in January 2008. We also expect to grant certain other employees an aggregate of restricted stock units pursuant to the 2004 Stock Incentive Plan on the date of the consummation of this offering. In general, subject to a participant's continued employment with us and compliance with certain restrictive covenants, the restricted stock units will vest, and the shares of common stock underlying the restricted stock units will be delivered, on the last business day in January 2008. See “Management—IPO Date Employee Awards.” In addition, concurrently with the reorganization, we will grant our principals and two trusts benefiting their families, their affiliates and certain of their transferees, the right to require us to register under the Securities Act of 1933 shares of our common stock (and other securities convertible into or exchangeable or exercisable for shares of common stock) held by them under certain circumstances and subject to the restrictions referred to in “Underwriting.” See “Related Party Transactions—Registration Rights Agreement,” “Shares Eligible for Future Sale” and “Underwriting” for further information regarding circumstances under which additional shares of our common stock may be sold.

Anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our certificate of incorporation may delay or prevent a merger or acquisition that a stockholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock. In addition, provisions of the Delaware General Corporation Law restrict certain business combinations with interested stockholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “ “intends,” “plans,” “estimates,” “anticipates” or the negative versions of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, those described under “Risk Factors.” These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

USE OF PROCEEDS

We estimate that our net proceeds from the offering, at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts, commissions and offering expenses, will be approximately $, or $ if the underwriters exercise their overallotment option in full. We intend to use these net proceeds to continue to expand our asset management platform, to establish new investment vehicles, to make strategic acquisitions and for general corporate purposes.

We will not receive any proceeds from the sale of shares by the selling stockholders.

DIVIDEND POLICY

We intend to pay cash dividends on a quarterly basis and expect to declare our first quarterly dividend payment at an initial rate of $ per share in the quarter of 2004.

The declaration and payment of dividends to holders of our common stock by us, if any, are subject to the discretion of our board of directors. Our board of directors will take into account such matters as general economic and business conditions, our strategic plans, our financial results and condition, contractual, legal and regulatory restrictions on the payment of dividends by us and our subsidiaries and such other factors as our board of directors may consider to be relevant.

REORGANIZATION AND S CORPORATION STATUS

Reorganization

Our business is presently conducted by Cohen & Steers Capital Management, Inc. and its subsidiaries. Cohen & Steers Capital Management, Inc. was incorporated as a New York corporation in 1986 and is wholly owned by our principals and two trusts benefiting their families. Cohen & Steers, Inc. is a Delaware corporation that was formed on March 17, 2004 and is a wholly owned subsidiary of Cohen & Steers Capital Management, Inc. CSCM Merger Sub , Inc. is a New York corporation that was formed on May 7 , 2004 and is a wholly owned subsidiary of Cohen & Steers, Inc . Cohen & Steers, Inc. and CSCM Merger Sub , Inc. have not engaged in any business or other activities except in connection with their respective formations and the reorganization described below.

Prior to the consummation of this offering, we will effect a reorganization whereby Cohen & Steers, Inc. will become the parent holding company of Cohen & Steers Capital Management, Inc. and, together with its direct and indirect subsidiaries (including Cohen & Steers Capital Management, Inc.), continue to conduct the business now conducted by Cohen & Steers Capital Management, Inc. and its subsidiaries.

The reorganization will be accomplished through a merger pursuant to which:

- CSCM Merger Sub, Inc. will merge with and into Cohen & Steers Capital Management, Inc.;
- each outstanding share of common stock in Cohen & Steers Capital Management, Inc. will be converted into the right to receive a newly issued share of common stock from Cohen & Steers, Inc.;
- the shares of common stock of Cohen & Steers, Inc. held by Cohen & Steers Capital Management, Inc. will be cancelled; and
- each share of CSCM Merger Sub, Inc. will be converted into and exchanged for a share of common stock of Cohen & Steers Capital Management, Inc.

Following the merger , our principals and their family trusts will be the sole stockholders of Cohen & Steers, Inc., and Cohen & Steers Capital Management, Inc. will be a wholly owned subsidiary of Cohen & Steers, Inc.

The reorganization will be effected pursuant to a merger agreement among Cohen & Steers, Inc., CSCM Merger Sub, Inc. and Cohen & Steers Capital Management, Inc. , the form of which will be filed as an exhibit to the registration statement of which this prospectus forms a part. The reorganization will not result in a change of control of Cohen & Steers Capital Management, Inc. Completion of the reorganization is a condition to the consummation of this offering.

S Corporation Status

Since we were organized in 1986, we have elected to be treated for U.S. federal and certain state income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code of 1986 and comparable state laws. As a result, our earnings have been taxed for U.S. federal and, in the case of certain states, state income tax purposes directly to our stockholders rather than to us, leaving our stockholders responsible for paying income taxes on these earnings. Prior to the closing of this offering, we will revoke our status as an S corporation and will be taxed as a C corporation. As a result of the revocation of our S corporation status, we will record a net deferred tax liability and corresponding deferred income tax expense effective upon the revocation date. The deferred tax liability and the related deferred tax expense represent the future tax consequences of temporary differences between the book bases and tax bases of assets and liabilities as of the revocation date, which arise primarily as a result of the conversion from cash basis to accrual basis accounting. The amount of the additional net deferred tax liability would have been approximately $0.5 million if the revocation date had been March 31, 2004 , and we estimate that the deferred tax liability will be approximately $. The actual amount of the deferred tax liability will be determined after giving effect to our operating results through the revocation date.

In connection with the revocation of our S corporation tax status, we expect to make a distribution to our current stockholders representing payment of undistributed S corporation accumulated earnings for tax purposes at and through the date of revocation. The distribution would have been approximately $14 million if the revocation date had been March 31, 2004 , and we estimate that the distribution will be approximately $. The actual amount of the distribution will depend on the amount of our earnings through the revocation date.

We will also enter into a tax indemnification agreement with our current stockholders, the form of which will be filed as an exhibit to the registration statement of which this prospectus forms a part. Although we believe that we have met the requirements for an S corporation, the agreement will provide for, among other things, our current stockholders to indemnify us for any additional U.S. federal and state income taxes, including interest and penalties, incurred by us if for any reason we are deemed to have been a C corporation during any period in which we reported our taxable income as an S corporation. The tax indemnification obligation of our current stockholders will be limited to the aggregate amount of all distributions we made to them to pay taxes during any time that we reported our taxable income as an S corporation but are deemed to have been a C corporation. The agreement will also provide for payment by our current stockholders to us and by us to our current stockholders to adjust for any increases or decreases in tax liability arising from a tax audit that affects our tax liability and results in a corresponding adjustment to the tax liability of our current stockholders. We will increase, or gross up, our indemnification payments to the stockholders to the extent necessary to take into account the increase in current tax liability incurred by these stockholders on account of the indemnification payments. The amount of any payment cannot exceed the amount of benefit received by us or our current stockholders attributable to the adjustment in tax liability. If we are required to make substantial payments under this tax indemnification agreement, it could adversely affect our financial condition.

CAPITALIZATION

The following table sets forth our consolidated capitalization and cash and cash equivalents as of March 31, 2004
:

- on an actual basis; and
- on a pro forma as adjusted basis to give effect to the following events, which will take place at or shortly before the closing of the offering:
  - — the recognition of an additional net deferred tax liability and a corresponding deferred income tax expense of $ that we expect to record upon revocation of S corporation tax status and election to be taxed as a C corporation;
  - — the payment of a $ S corporation distribution to our stockholders as described in "Reorganization and S Corporation Status—S Corporation Status"; and
  - — the issue and sale by us of shares of common stock in this offering, at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts, commissions and offering expenses.

You should read this table together with the other information contained in this prospectus, including "Reorganization and S Corporation Status," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our audited consolidated financial statements and the notes thereto, including Note 3—Pro Forma Financial Information (unaudited) , and our unaudited interim consolidated financial statements and the notes to those statements, including Note 2 —Pro Forma Financial Information ..

	March 31, 2004	
	Actual	Pro Forma As Adjusted
	($ in thousands, except par value)	
Cash and cash equivalents	$ 8,574	
Debt:		
Bank line of credit	$ 4,584	
Long-term debt, including current portion	1,748	
Obligations under capital leases, including current portion	39	
Total debt	6,371	
Stockholders' equity:		
Common stock, $1 par value, 50,000 voting shares authorized, issued and outstanding and 50,000 non-voting shares authorized, 41,642 issued and outstanding	92	
Additional paid-in capital	3,867	
Retained earnings	13,026	
Accumulated other comprehensive income	2,199	
Total stockholders' equity	19,184	
Total capitalization	$ 25,555	$

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering.

As of March 31, 2004, our net tangible book value was $19.2 million, or $209 per share .. Net tangible book value per share represents total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of our common stock outstanding.

After giving effect to our sale of shares of common stock in this offering, at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts, commissions and offering expenses, our net tangible book value as of March 31, 2004 would have been $, or $ per share of common stock. This represents an immediate increase in net tangible book value to existing stockholders of $ per share and an immediate dilution in net tangible book value to new investors of $ per share.

The following table illustrates this per share dilution:

Assumed initial public offering per share		$
Net tangible book value per share as of March 31, 2004	$	
Increase in net tangible book value per share attributable to new investors		
	—	
Net tangible book value per share after giving effect to this offering		
		—
Dilution in net tangible book value per share to new investors	$	
		—

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present selected consolidated financial data as of the dates and for the periods indicated. We derived the consolidated statement of financial condition data as of December 31, 2002 and 2003 and the consolidated statement of income data for each of the three years in the period ended December 31, 2003 from our consolidated financial statements audited by Deloitte & Touche LLP which are included elsewhere in this prospectus.

We derived the consolidated statement of financial condition data as of December 31, 1999, 2000 and 2001 and the consolidated statement of income data for each of the two years in the period ended December 31, 2000 from our unaudited consolidated financial statements which are not included in this prospectus. The unaudited consolidated financial statements have been prepared on substantially the same basis as the audited consolidated financial statements and include all adjustments that we consider necessary for a fair presentation of our consolidated financial position and results of operations for all periods presented.

We derived the consolidated statement of financial condition data as of March 31, 2004 and the consolidated statement of income data for each of the three months ended March 31, 2003 and 2004 from our unaudited interim consolidated financial statements which are included elsewhere in this prospectus. In the opinion of management, the unaudited interim consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, which are of a normal recurring nature, that we consider necessary for a fair presentation of our consolidated financial position and results of operations for the interim periods presented.

Our wholly owned subsidiary, Cohen & Steers Securities, LLC, commenced operations on July 1, 2002. On the same date, Cohen & Steers Securities, LLC succeeded to the business of Cohen & Steers Securities, Inc. (previously wholly owned by our principals) pursuant to a transaction accounted for as a merger of entities under common control and recorded in a manner similar to a pooling-of-interests. Accordingly, the previously separate historical financial position and results of operations of Cohen & Steers Securities, Inc. are combined with our consolidated financial position and results of operations for all periods presented.

For all periods presented, we operated as an S corporation and were not subject to U.S. federal and certain state income taxes. Our historical income tax expense consisted of New York State and New York City and local income taxes. Upon completion of this offering, we will become subject to U.S. federal and certain state income taxes applicable to C corporations. See “—Unaudited Consolidated Pro Forma Financial Information” and “Reorganization and S Corporation Status.”

The historical consolidated results for “Employee compensation and benefits” include salaries and bonuses paid to our co-chief executive officers during our status as an S corporation that are not indicative of the salaries and bonuses to be expected for any future accounting periods. See “—Unaudited Consolidated Pro Forma Financial Information.”

You should read this selected consolidated financial data together with the other information contained in this prospectus, including “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements.

Consolidated Statement of Income Data

	Year Ended December 31,					Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
	($ in thousands, except per share data)						
Revenue							
Investment advisory and administration fees:							
Closed-end mutual funds	$ 743	$ 729	$ 2,009	$ 7,837	$ 18,575	$ 2,741	$ 8,801
Open-end mutual funds	15,291	15,102	18,019	20,871	24,225	4,806	8,282
Institutional separate accounts	9,749	11,288	10,794	9,707	8,808	1,973	2,646
Total investment advisory and administration fees	25,783	27,119	30,822	38,415	51,608	9,520	19,729
Distribution and service fee revenue	211	397	1,112	3,071	5,880	974	2,408
Portfolio consulting and other	1,618	1,104	507	683	1,574	271	709
Investment banking fees	3,375	8,097	2,853	13,077	11,279	978	4,463
Total revenue	30,987	36,717	35,294	55,246	70,341	11,743	27,309
Expenses							
Employee compensation and benefits	12,715	15,571	16,719	32,312	37,193	7,754	8,980
General and administrative	4,385	5,568	6,651	6,916	8,007	1,719	2,757
Distribution and service fee expenses	2,973	2,721	4,069	4,744	9,190	1,427	4,195
Amortization, deferred commissions	162	170	533	1,698	3,077	810	1,057
Depreciation and amortization	257	402	517	927	1,002	233	281
Total operating expenses	20,492	24,432	28,489	46,597	58,469	11,943	17,270
Operating income (loss)	10,495	12,285	6,805	8,649	11,872	(200)	10,039
Non-operating income (expense)							
Interest and dividend income	369	692	513	525	435	97	101
Interest expense	(32)	(42)	(60)	(127)	(156)	(36)	(42)
Total non-operating income	337	650	453	398	279	61	59
Income (loss) before income taxes	10,832	12,935	7,258	9,047	12,151	(139)	10,098
Income tax expense (benefit)	1,089	1,297	654	611	100	(24)	767
Net income (loss)	$ 9,743	$ 11,638	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331
Net income (loss) per share—basic and diluted	$ 108.14	$ 129.17	$ 73.30	$ 92.83	$ 131.50	$ (1.25)	$ 101.82
Weighted average shares outstanding—							
basic and diluted	90,100	90,100	90,100	90,871	91,642	91,642	91,642

Consolidated Statement of Income Data by Segment

Year Ended December 31,	Three Months Ended March 31,

	1999	2000	2001	2002	2003	2003	2004
				($ in thousands)			
Asset Management							
Total revenue	$ 27,612	$ 28,506	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Total operating expenses	17,542	18,197	23,598	37,633	50,510	10,843	14,278
Operating income (loss)	10,070	10,309	8,843	4,536	8,552	(78)	8,568
Total non-operating income	333	426	396	325	249	53	53
Income (loss) before income taxes	10,403	10,735	9,239	4,861	8,801	(25)	8,621
Income tax expense (benefit)	1,046	1,067	865	205	(46)	90	666
Net income (loss)	$ 9,357	$ 9,668	$ 8,374	$ 4,656	$ 8,847	$ (115)	$ 7,955
Investment Banking							
Total revenue	$ 3,375	$ 8,211	$ 2,853	$ 13,077	$ 11,279	$ 978	$ 4,463
Total operating expenses	2,950	6,235	4,891	8,964	7,959	1,100	2,992
Operating income (loss)	425	1,976	(2,038)	4,113	3,320	(122)	1,471
Total non-operating income	4	224	57	73	30	8	6
Income (loss) before income taxes	429	2,200	(1,981)	4,186	3,350	(114)	1,477
Income tax expense (benefit)	43	230	(211)	406	146	(114)	101
Net income (loss)	$ 386	$ 1,970	$ (1,770)	$ 3,780	$ 3,204	$ —	$ 1,376

Consolidated Statement of Financial Condition Data

	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003	March 31, 2004
	($ in thousands)					
Cash and cash equivalents	$ 4,699	$ 4,737	$ 2,750	$ 6,090	$ 7,526	$ 8,574
Total assets	14,343	16,547	17,853	24,394	34,523	39,927
Total current liabilities	2,019	2,370	2,712	2,904	7,257	14,419
Total long-term liabilities	500	500	1,430	4,798	6,492	6,324
Total liabilities	2,519	2,870	4,142	7,702	13,749	20,743
Total stockholders' equity	11,824	13,677	13,711	16,692	20,774	19,184

Component Changes in Assets Under Management (AUM)

	Year Ended December 31, 1999	2000	2001	2002	2003	Three Months Ended March 31, 2004
	($ in millions)					
Total accounts						
Beginning AUM	$ 3,991.4	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1
Net flows	(260.1)	9.5	648.5	808.3	2,633.8	2,683.9
Net appreciation	30.8	986.9	290.5	118.0	2,422.5	1,175.3
Total assets under management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3
Closed-end mutual funds						
Beginning AUM	$ 113.6	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6
Net flows	0.0	0.0	479.8	1,563.7	1,977.9	2,474.6
Net appreciation	(15.6)	16.2	6.7	(50.1)	698.4	399.3
Total closed-end mutual funds	98.0	114.2	600.7	2,114.3	4,790.6	7,664.5
Open-end mutual funds						
Beginning AUM	2,043.6	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1
Net flows	(484.8)	113.5	138.7	121.3	528.9	199.2
Net appreciation	12.7	392.5	98.4	16.5	915.8	417.7
Total open-end mutual funds	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0
Institutional separate accounts						
Beginning AUM	1,834.2	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4
Net flows	224.7	(104.0)	30.0	(876.7)	127.0	10.1
Net appreciation	33.7	578.2	185.4	151.6	808.3	358.3

Total institutional separate accounts	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8
Total assets under management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3
Total net flows/beginning AUM (%)	-6.5%	0.3%	13.6%	14.2%	39.8%	23.0%
Total change in AUM (%)	-5.7%	26.5%	19.7%	16.3%	76.3%	33.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We operate in two distinct business segments:

- Asset Management
- Investment Banking

The following table provides a breakdown of our consolidated and segment revenue and operating expenses for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue					
Asset Management Revenue	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Investment Banking Revenue	2,853	13,077	11,279	978	4,463
Consolidated Revenue	$ 35,294	$ 55,246	$ 70,341	$ 11,743	$ 27,309
Operating Expenses					
Asset Management Operating Expenses	$ 23,598	$ 37,633	$ 50,510	$ 10,843	$ 14,278
Investment Banking Operating Expenses	4,891	8,964	7,959	1,100	2,992
Consolidated Operating Expenses	$ 28,489	$ 46,597	$ 58,469	$ 11,943	$ 17,270

Asset Management

Asset Management provides:

- investment advisory and administration services to proprietary open-end and closed-end mutual funds and institutional separate accounts for investors such as pension and endowment funds;
- sub-advisory services for investment companies and serves as a portfolio consultant for non-proprietary unit investment trusts; and
- distribution services for our open-end mutual funds.

Asset Management furnishes an investment program, makes day-to-day investment decisions and generally manages investments in accordance with the stated investment policies of our mutual funds and our institutional separate accounts. Asset Management also provides certain administrative , accounting and distribution oversight functions for our funds. Asset Management also acts as portfolio consultant for a series of unit investment trusts offered by third parties and maintains a proprietary index listed on the American Stock Exchange. Asset Management's investment vehicles and strategies focus on REIT common and preferred stocks, utility common stocks and corporate preferred stocks .

Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from our mutual funds and investment advisory fees received from institutional separate accounts. Fees earned by Asset Management are principally based on the net asset value of each client's portfolio. These fees fluctuate with changes in the total value of the portfolios and are recognized over the period that the assets are managed. The levels of our assets under management are, in turn, driven by our relative investment performance, market conditions and the success of our marketing efforts. We generally charge our fees in arrears on a monthly or quarterly basis. We benefit from significant monthly cash flow and liquidity as a result of receiving mutual fund fees on a monthly basis.

The most significant expenses for Asset Management are employee compensation and benefits. In addition to their base salary, we generally pay our Asset Management employees year-end bonuses that depend on, among other things, our profitability, employee performance and market conditions. Expenses related to the distribution of our mutual funds, including the amortization of deferred sales commissions for our open-end load mutual funds, are other significant Asset Management expenses.

Asset Management has experienced significant growth, with our assets under management increasing by over 172% to $15.5 billion at March 31, 2004 from $5.7 billion at December 31, 2001. Much of this growth can be attributed to our strong market presence in the real estate securities market. REIT securities have experienced strong market appreciation over the last three years and have gained a wider acceptance by investors as both an important asset class and a financial instrument. We launched four closed-end mutual funds during the three-year period ended December 31, 2003 and two additional closed-end mutual funds in the first quarter of 2004 and have generated net subscriptions in our open-end mutual funds. Market appreciation has also increased our assets under management over the last three years.

Asset Management develops and manages income oriented equity portfolios and investment vehicles. We believe that investors view income producing equities more favorably today than in previous periods as a result of, among other factors, demographic trends that are resulting in increased retirement savings, recently enacted federal legislation favorable to dividend income and a continued increase in mutual fund ownership among U.S. households. We believe these trends will continue and we intend to capitalize on them by offering an array of high income producing equity securities through both current and new product offerings.

Investment Banking

Investment Banking provides financial advisory services to companies in real estate and real estate intensive businesses, such as the health care and hospitality businesses. Revenue is derived primarily from advising our clients on mergers, acquisitions, corporate restructurings, recapitalizations and similar corporate finance transactions and placing securities as agent for our clients . We generally earn these fees upon the consummation of the transaction pursuant to terms of individual agreements. Investment Banking revenue also includes reimbursement from our clients for certain expenses we have incurred in connection with providing our services, such as legal and other professional fees and travel related expenses.

The number and size of our client engagements drives Investment Banking revenue , which in turn is influenced by the level of mergers and acquisitions, capital raising and restructuring activity by the companies in our targeted markets, and by the success of our investment banking professionals' business origination efforts. The principal component of our operating expenses for Investment Banking is employee compensation and benefits, including salaries and bonuses for our senior investment banking professionals . The three senior investment banking professionals of this segment contractually earn a year-end bonus based on the income of the business segment. Investment Banking operates in a highly competitive environment where there are no long term contracted sources of revenue. In addition, each revenue generating engagement may relate to only one potential transaction. Our list of clients, and our list of clients with whom there is a currently active revenue generating engagement, changes continually. We gain new assignments each year primarily through the relationships of our highly experienced team of investment banking professionals. At the same time, we lose prospective engagements each year primarily as a result of competition from other investment banks, many of which have significantly greater resources and offer a broader range of services.

IPO Date Employee Awards

We expect to record a substantial loss in the quarter ending , 2004 as the result of the grant of restricted stock units on the date of the consummation of this offering described in "Management—IPO Date Employee Awards." We will record compensation expense in connection with the grant of these restricted stock units based on the initial public offering price of the underlying common stock, as adjusted for cumulative compensation cost recorded on our existing Stock Appreciation Rights Plan, which we will terminate at that time. Assuming an initial public offering price of $ per share, we expect to record compensation expense of approximately $ million on the date of the consummation of this offering. If the initial public offering price per share is higher than $, we will record a greater amount of compensation expense.

Assets Under Management

Our principal business is asset management of income-oriented equity securities portfolios. We have experienced significant growth in assets under management over the past three years as a result of a strong market for REIT securities, the launch of closed-end mutual funds that specialize in income oriented equity securities and net subscriptions into our open-end mutual funds. The following table sets forth the breakdown of our total assets under management by account and security type as of the dates shown, and the changes in our assets under management between such dates.

Assets Under Management

	December 31,			March 31,				
	2001	2002	2003	2003	2004 (1)	2002 vs. 2001 (%)	2003 vs. 2002 (%)	March 31, 2004 vs. March 31, 2003 (%)
			($ in millions)					
Breakdown by Account Type								
Closed-end Mutual Funds	$ 600.7	$ 2,114.3	$ 4,790.6	$ 2,087.4	$ 7,664.5	252%	127%	267%
Open-end Mutual Funds	2,314.6	2,452.4	3,897.1	2,459.2	4,514.0	6%	59%	84%
Institutional Separate Accounts	2,782.2	2,057.1	2,992.4	2,094.5	3,360.8	-26%	46%	61%
Total Assets Under Management	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 6,641.1	$ 15,539.3	16%	76%	134%
Breakdown by Security Type								
Real Estate Common Stocks	$ 5,259.4	$ 5,908.9	$ 9,892.6	$ 5,899.8	$ 11,835.3	12%	67%	101%
Real Estate Preferred Stocks	266.6	597.1	836.0	612.1	1,205.1	124%	40%	97%
Utility Common Stocks	—	—	—	—	1,296.1	n/a	n/a	n/a
Corporate Preferred Stocks	—	—	683.9	0.0	895.2	n/a	n/a	n/a
Fixed Income (2)	6.2	13.5	109.1	32.6	118.3	118%	708%	263%
Cash and Short-Term Investments	165.3	104.3	158.5	96.6	189.3	37%	52%	96%
Total Assets Under Management	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 6,641.1	$ 15,539.3	16%	76%	134%

(1) Assumes that the (i) the $338 million of cash in the Cohen & Steers REIT & Utility Income Fund has been invested based on the following portfolio composition: 40% in utility common stocks, 40% in real estate stocks, 13% in corporate preferred stocks and 7% in real estate preferred stocks and (ii) the $581 million of cash in the Cohen & Steers Select Utility Fund has been invested based on the following portfolio composition: 78% in utility common stock, 12% in corporate preferred stocks and 10% in real estate preferred stocks. Cohen & Steers REIT & Utility Income Fund and Cohen & Steers Utility Fund are funds which commenced operations during 2004 and have not yet fully invested their assets in accordance with these funds' stated policies.

(2) Includes corporate bonds.

Subsequent to March 31, 2004, the stock and bond markets have declined amid concerns that the Federal Reserve would raise interest rates in response to an increase in payroll employment and other economic indicators suggesting a growing U.S. economy. In particular, REIT stock prices declined by approximately 15%. As a result, our assets under management decreased to $13.5 billion on April 30, 2004 from $15.5 billion on March 31, 2004.

Our Accounts

We manage assets for clients in three types of accounts:

- closed-end mutual funds,
- open-end mutual funds and
- institutional separate accounts.

Closed-end mutual funds sell a finite number of shares to investors in underwritten offerings. Shares of these funds are traded on an exchange and such funds are not subject to shareholder subscriptions or redemptions. Accordingly, revenue from closed-end mutual funds varies solely due to market appreciation or depreciation. Leveraged closed-end mutual funds may issue additional preferred stock or borrow additional capital to make additional investments, and a reduction in the leverage of our closed-end mutual funds could adversely impact our revenue.

Open-end mutual funds are continually offered and are not listed on an exchange. Our open-end mutual funds will issue new shares to meet any subscriptions and redeem shares from those shareholders wishing to sell. The share price for purchases and redemptions of each of our open-end mutual funds is determined by each fund's net asset value, which is calculated at the end of each business day. Some of our open-end mutual funds carry a load, or commission, which is paid to the broker-dealer who acts as an agent for the investor. Such funds are called load mutual funds. These commissions are either borne by the investor or by us, depending on the specific class of shares that the investor buys. There are certain instances when we will waive the loads on certain load mutual fund purchases. Currently, we offer three no-load mutual funds and two load mutual funds. Revenue from such funds vary with both market appreciation and depreciation and the level of new purchases into or withdrawals from a fund.

Institutional separate accounts are private accounts for institutional investors such as pension and endowment funds. We typically maintain full investment discretion over such accounts although the client retains the ability to terminate our advisory relationship .. Revenue from these accounts vary primarily with market appreciation and depreciation. Flows into and out of such accounts also affect our fees, although to a lesser extent than with our open-mutual fund assets because such flows are not a regular occurrence.

For all account types, we receive a management fee based on the contract which governs our relationship with each mutual fund or institutional separate account client. This contract typically remains in place until it is terminated. Our mutual funds pay their fees on a monthly basis, which provides us with stable cash flows and ample liquidity to meet our daily business needs. Our institutional separate accounts are billed on a quarterly basis ..

Net Flows and Appreciation of Assets Under Management

Net flows are the aggregate net flows in assets under management during a particular time period. They are comprised of:

- net flows into newly offered closed-end mutual funds or new preferred share offerings from our leveraged closed-end mutual funds;

- total subscriptions minus total redemptions for our open-end mutual funds; and

- net flows for our institutional separate accounts.

Total net flows represents the dollar amount by which investors have increased or decreased our assets under management for that particular time period.

Net appreciation represents the change in market value of our assets under management during a particular time period due our investment decisions and market conditions.

Net flows as a percentage of beginning AUM is a measure of how much a change in our assets under management for a given time period is driven by investor decisions, as opposed to market appreciation or depreciation in our assets under management.

We launched four closed-end mutual funds during the three-year period ended December 31, 2003 and two additional closed-end mutual funds in the first quarter of 2004 . The following table provides the name, assets under management as of March 31, 2004 and inception date for our recently-launched closed-end mutual funds:

Fund	Assets Under Management as of March 31, 2004	Date of Inception
	(in millions)	
Cohen & Steers Advantage Income Realty Fund, Inc.	$ 776.6	2001
Cohen & Steers Quality Income Realty Fund, Inc.	$ 1,147.7	2002
Cohen & Steers Premium Income Realty Fund, Inc.	$ 985.4	2002
Cohen & Steers REIT and Preferred Income Fund, Inc.	$ 2,074.6	2003
Cohen & Steers REIT and Utility Income Fund, Inc.	$ 1,721.5	2004

Cohen & Steers Select Utility Fund, Inc.	$	786.8	2004

We also experienced positive net subscriptions into our open-end mutual funds for each of the last three years and in the first quarter of 2004. In April 2004, we launched Cohen & Steers Utility Fund, our first open-end mutual fund that invests in utility common stocks.

Institutional separate accounts experienced net outflows in 2002 as four major institutional clients either decreased their allocation to real estate securities in general, or invested with other managers. Institutional separate accounts experienced positive net flows in 2003 and in the first quarter of 2004 .

The following table sets forth information regarding the net flows and appreciation of assets under management for the periods presented.

Net Flows and Appreciation of Assets Under Management (AUM)

	December 31,			March 31,				
	2001	2002	2003	2003	2004	2002 vs. 2001 ($)	2003 vs. 2002 ($)	March 31, 2004 vs. March 31, 2003 ($)
			($ in millions)					
Total accounts								
Beginning AUM	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 6,623.8	$ 11,680.1	$ 939.0	$ 926.3	$ 5,056.3
Net flows	648.5	808.3	2,633.8	26.9	2,683.9	159.8	1,825.5	2,657.0
Net appreciation	290.5	118.0	2,422.5	(9.6)	1,175.3	(172.5)	2,304.5	1,184.9
Total assets under management	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 6,641.1	$ 15,539.3	$ 926.3	$ 5,056.3	$ 8,898.2
Closed-end mutual funds								
Beginning AUM	$ 114.2	$ 600.7	$ 2,114.3	$ 2,114.3	$ 4,790.6	$ 486.5	$ 1,513.6	$ 2,676.3
Net flows	479.8	1,563.7	1,977.9	0.0	2,474.6	1,083.9	414.2	2,474.6
Net appreciation	6.7	(50.1)	698.4	(26.9)	399.3	(56.8)	748.5	426.2
Total closed-end mutual funds	600.7	2,114.3	4,790.6	2,087.4	7,664.5	1,513.6	2,676.3	5,577.1
Open-end mutual funds								
Beginning AUM	2,077.5	2,314.6	2,452.4	2,452.4	3,897.1	237.1	137.8	1,444.7
Total subscriptions	732.3	900.9	1,207.8	158.8	424.8	168.6	306.9	266.0
Total redemptions	(593.6)	(779.6)	(678.9)	(149.0)	(225.6)	(186.0)	100.7	(76.6)
Net appreciation	98.4	16.5	915.8	(3.0)	417.7	(81.9)	899.3	420.7
Total open-end mutual funds	2,314.6	2,452.4	3,897.1	2,459.2	4,514.0	137.8	1,444.7	2,054.8
Institutional separate accounts								
Beginning AUM	2,566.8	2,782.2	2,057.1	2,057.1	2,992.4	215.4	(725.1)	935.3
Inflows	569.5	390.3	268.4	37.1	110.6	(179.2)	(121.9)	73.5
Outflows	(539.5)	(1,267.0)	(141.4)	(20.0)	(100.5)	(727.5)	1,125.6	(80.5)
Net appreciation	185.4	151.6	808.3	20.3	358.3	(33.8)	656.7	338.0
Total institutional separate accounts	2,782.2	2,057.1	2,992.4	2,094.5	3,360.8	(725.1)	935.3	1,266.3
Total assets under management	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 6,641.1	$ 15,539.3	$ 926.3	$ 5,056.3	$ 8,898.2

Total net flows/beginning AUM(%)	13.6%	14.2%	39.8%	0.4%	23.0%
Total change in AUM(%)	19.7%	16.3%	76.3%	0.3%	33.0%

We offer both no-load and load open-end mutual funds. Cohen & Steers Realty Shares, Cohen & Steers Institutional Realty Shares and Cohen & Steers Special Equity Fund are, collectively, our no-load open-end mutual funds. Cohen & Steers Equity Income Fund and Cohen & Steers Utility Fund , our load open-end mutual funds, are available under four primary pricing structures:

- Class A shares, under which the investor generally pays a sales charge at the time of investment. The sales charge is deducted from the initial amount invested;
- Class B and Class C shares, under which the investor does not pay the sales charge at the time of investment. Instead, the investor pays higher ongoing annual fees than compared to Class A shares; and
- Class I shares, under which the investor pays no initial sales charge or ongoing distribution fees. Class I shares require a minimum investment of $100,000 and are generally available only to institutional investors.

Our load open-end mutual funds do not charge a sales load on Class A share investments of $1 million or more. We pay the selling firm a 1% commission on these purchases at the time of investment and receive a deferred sales charge of 1% of the lesser of net asset value at the time of sale or the initial cost of the investment if the investor redeems within one year. In addition, our load open-end mutual funds do not assess a sales charge on Class A shares sold to certain investors, including advisors and financial planners who place orders for their clients and charge management, consulting or other fees for their services. Investors in Class B and Class C shares of our load open-end mutual funds do not pay a sales charge at the time of investment. However, we pay a commission directly to the selling firm when the investment is made. We receive a deferred sales charge on Class B and Class C shares if the investor redeems within six years and one year, respectively. In addition, we collect shareholder service fees on Class B shares and retain such fees for one year before beginning to disburse these fees to the selling firm. In the case of both load and no-load mutual funds, we also may pay ongoing fees for administrative and distribution services. As our open-end mutual fund assets continue to grow, we expect such expenses to increase.

The following table sets forth information regarding the composition of our open-end mutual fund assets.

Composition of Open-End Mutual Fund Assets

	December 31,			March 31,				
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	March 31, 2004 vs. March 31, 2003
			($ in millions)					
Load fund—Class A	$ 93.3	$ 164.6	$ 397.1	$ 178.0	$ 495.3	76%	141%	178%
Load fund—Class B	85.2	133.0	251.3	143.0	281.4	56%	89%	97%
Load fund—Class C	115.4	228.6	534.7	249.3	649.5	98%	134%	161%
Load fund—Class I	19.2	36.9	115.6	40.2	125.9	92%	213%	213%
No-load funds	2,001.5	1,889.3	2,598.4	1,848.7	2,961.9	-6%	38%	60%
	$ 2,314.6	$ 2,452.4	$ 3,897.1	$ 2,459.2	$ 4,514.0	6%	59%	84%

March 31, 2004 compared to March 31, 2003

Assets under management were $15.5 billion at March 31, 2004, a 134% increase from $6.6 billion at March 31, 2003. We experienced growth in every asset category and every account type during the three months ended March 31, 2004, reflecting the launch of two closed-end mutual funds, a strong market for REIT securities and positive net subscriptions into our open-end mutual funds.

By product type, at March 31, 2004, 49% of assets under management were held in closed-end mutual funds, 29% were held in open-end mutual funds and 22% were held in separately managed institutional accounts. At March 31, 2003, 31% of assets under management were held in closed-end mutual funds, 37% were held in open-end mutual funds and 32% were held in separately managed institutional accounts.

Real estate common stocks represented 76% of assets under management at March 31, 2004, compared to 89% of assets under management at March 31, 2003. During the three months ended March 31, 2004, we completed two closed-end mutual funds offerings that represented our first utility common stock assets under management. As a result, utility common stocks represented 8% of assets under management at March 31, 2004. Real estate preferred and corporate preferred stocks comprised 14% of assets under management at March 31, 2004, compared to 9% at March 31, 2003. The remaining assets were held in fixed income and cash and short-term investments. These investments were relatively constant as a percentage of assets under management over the three month period ending March 31, 2004 and 2003.

Net subscriptions into our open-end mutual funds increased 1933% to $199.2 million in the three months ended March 31, 2004 from $9.8 million in the three months ended March 31, 2003, as subscriptions increased 168% to $424.8 million in the three months ended March 31, 2004 from $158.8 million in the three months ended March 31, 2003 and redemptions increased 51% to $225.6 million in the three months ended March 31, 2004 from $149.0

million in the three months ended March 31, 2003. Market appreciation in the open-end mutual funds was significant and totaled $417.7 million in the three months ended March 31, 2004 due primarily to the strong real estate securities market.

Closed-end mutual funds contributed $2.5 billion to our net inflows in the three months ended March 31, 2004. These assets were raised in two closed-end mutual fund offerings. No closed-end mutual fund assets were raised in the three months ended March 31, 2003. Market appreciation in the closed-end mutual funds was $399.3 million, again consistent with the strong real estate securities market during three months ended March 31, 2004.

Institutional separate accounts had net inflows of $10.1 million in the three months ended March 31, 2004, as compared to net inflows of $17.1 million in the three months ended March 31, 2003. Market appreciation for institutional separate accounts was $358.3 million for the three months ended March 31, 2004 compared to $20.3 million for the three months ended March 31, 2003.

At March 31, 2004, no-load mutual funds comprised 66% of all open-end mutual fund assets, compared to 75% of all such assets at March 31, 2003. A load mutual fund, Cohen & Steers Equity Income Fund, represented 34% of total open-end mutual fund assets at March 31, 2004 compared to 25% at March 31, 2003. Within this fund, 42% of the fund's assets were represented by Class C shares, 32% by Class A shares, 18% by Class B shares and 8% by Class I shares. This compares to 41% by Class C shares, 29% by Class A shares, 23% by Class B shares and 7% by Class I shares at March 31, 2003.

2003 compared to 2002

Assets under management were $11.7 billion at December 31, 2003, a 76% increase from $6.6 billion at December 31, 2002. We experienced growth in every asset category and every account type in 2003, due to a strong market for REIT securities, a closed-end mutual fund offering which included our first corporate preferred assets under management and positive net subscriptions into our open-end mutual funds.

By product type, at December 31, 2003, 41% of assets under management were held in closed-end mutual funds, 33% were held in open-end mutual funds and 26% were held in separately managed institutional accounts. At December 31, 2002, 32% of assets under management were held in closed-end mutual funds, 37% were held in open-end mutual funds and 31% were held in separately managed institutional accounts.

Real estate common stocks represented 85% of assets under management at December 31, 2003, compared to 89% of assets under management at December 31, 2002. Real estate and corporate preferred stocks comprised 13% of assets under management at the end of 2003, compared to 10% at December 31, 2002. The remaining assets were held in fixed income securities and cash and short-term investments. These investments were relatively constant as a percentage of assets under management over the two-year period ended December 31, 2003.

Net subscriptions into our open-end mutual funds increased 336% to $528.9 million in 2003 from $121.3 million in 2002. Subscriptions increased 34% to $1.2 billion in 2003 from $900.9 million in 2002 and redemptions decreased 13% to $678.9 million in 2003 from $779.6 million in 2002. Market appreciation in the open-end mutual funds was significant and totaled $915.8 million in 2003 due primarily to the strong real estate securities market.

Closed-end mutual funds contributed $2.0 billion to our net inflows in 2003, an increase of 26% over the $1.6 billion raised in 2002. These assets were raised in one closed-end mutual fund offering. Market appreciation in the closed-end mutual funds was $698.4 million, again consistent with the strong real estate securities market during 2003.

Institutional separate accounts had net inflows of $127.0 million in 2003, compared to net outflows of $876.7 million in 2002. Market appreciation for such accounts was $808.3 million for 2003.

At December 31, 2003, no-load mutual funds comprised 67% of all open-end mutual fund assets, compared to 77% of all such assets at December 31, 2002. Our load mutual fund, Cohen & Steers Equity Income Fund, represented 33% of total open-end mutual fund assets at December 31, 2003 compared to 23% in 2002. Within this fund, 41% of the fund's assets were represented by Class C shares, 31% by Class A shares, 19% by Class B shares and 9% by Class I shares. This compares to 41% by Class C shares, 29% by Class A shares, 24% by Class B shares and 6% by Class I shares at December 31, 2002. The increase in assets in the load mutual fund channel is due primarily to the increased net subscriptions that Cohen & Steers Equity Income Fund experienced in 2002 and 2003. Net subscriptions totaled $497.2 million for Cohen & Steers Equity Income Fund and $31.7 million for the no-load mutual funds in 2003. Net subscriptions were $262.8 million for Cohen & Steers Equity Income Fund in 2002 and the no-load mutual funds experienced $141.5 million in net outflows for that year.

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2002 compared to 2001

Assets under management increased 16% to $6.6 billion at December 31, 2002 from $5.7 billion at December 31, 2001. This increase in assets was primarily due to closed-end mutual fund offerings. Moderately positive net subscriptions into open-end mutual funds were offset by net outflows from institutional accounts.

By product type, at December 31, 2002, 32% of assets under management were held in closed-end mutual funds, 37% were held in open-end mutual funds and 31% were held in institutional separate accounts. At December 31, 2001, 10% of assets under management were held in closed-end mutual funds, 41% were held in open-end mutual funds and 49% were held in separately managed institutional accounts.

Real estate common stocks represented 89% of assets under management at December 31, 2002, compared to 92% of assets under management at December 31, 2001. Real estate preferred securities represented 10% of assets under management at the end of 2002, compared to approximately 5% a year earlier. The remaining assets were held in fixed income securities and cash and short-term investments. Such investments were relatively constant as a percentage of total assets under management over the two-year period ended December 31, 2002.

Net subscriptions into the open-end mutual funds decreased 13% to $121.3 million in 2002 from $138.7 million in 2001. Subscriptions increased 23% to $900.9 million in 2002 from $732.3 million in 2001. Offsetting this increase, however, redemptions increased 31% to $779.6 million in 2002 from $593.6 million in 2001. Market appreciation in the open-end mutual funds was minimal during 2002.

Closed-end mutual funds inflows were $1.6 billion in 2002, an increase of 226% over the $479.8 million raised in 2001. These assets were raised in two closed-end mutual fund offerings in 2002.

Institutional separate accounts had net outflows of $876.7 million in 2002 compared to net inflows of $30.0 million in 2001. During 2002, four major institutional clients withdrew $910 million as they either decreased their allocation to real estate securities or invested with other managers. Market appreciation in the institutional separate accounts during 2002 was $151.6 million, compared to $185.4 million during 2001.

At December 31, 2002, no-load mutual funds comprised 77% of all open-end mutual fund assets, compared to 86% of all such assets at December 31, 2001. Our load mutual fund, Cohen & Steers Equity Income Fund, represented 23% of total open-end mutual fund assets in 2002, compared to 14% in 2001. At December 31, 2002, 41% of this fund's assets were represented by Class C shares, 29% by Class A shares, 24% by Class B shares and 6% by Class I shares. This compared to 37% of the fund's assets represented by Class C shares, 30% by Class A shares, 27% by Class B shares and 6% by Class I shares at December 31, 2001.

Results of Operations

The table below provides a breakdown of consolidated and segment revenue for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,				
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	March 31, 2004 vs. March 31, 2003 (%)
				($ in thousands)				
Asset Management Business Segment:								
Investment advisory and administration fees	$ 30,822	$ 38,415	$ 51,608	$ 9,520	$ 19,729	25%	34%	107%
Distribution and service fees	1,112	3,071	5,880	974	2,408	176%	91%	147%
Portfolio consulting and other	507	683	1,574	271	709	35%	130%	162%
Asset Management Revenue	32,441	42,169	59,062	10,765	22,846	30%	40%	112%
Investment Banking Revenue	2,853	13,077	11,279	978	4,463	358%	-14%	356%
Consolidated Revenue	$ 35,294	$ 55,246	$ 70,341	$ 11,743	$ 27,309	57%	27%	133%

The table below provides a breakdown of consolidated and segment operating expenses for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,				
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	March 31, 2004 vs. March 31, 2003 (%)
				($ in thousands)				
Consolidated:								
Employee compensation and benefits	$ 16,719	$ 32,312	$ 37,193	$ 7,754	$ 8,980	93%	15%	16%
General and administrative	6,651	6,916	8,007	1,719	2,757	4%	16%	60%
Distribution and service fee expenses	4,069	4,744	9,190	1,427	4,195	17%	94%	194%
Amortization, deferred commissions	533	1,698	3,077	810	1,057	219%	81%	30%
Depreciation and amortization	517	927	1,002	233	281	79%	8%	21%
Consolidated Operating Expenses	$ 28,489	$ 46,597	$ 58,469	$ 11,943	$ 17,270	64%	25%	45%

Asset Management:								
Employee compensation and benefits	$ 13,572	$ 24,913	$ 30,838	$ 7,003	$ 6,698	84%	24%	-4%
General and administrative	4,930	5,374	6,416	1,373	2,050	9%	19%	49%
Distribution and service fee expenses	4,069	4,744	9,190	1,427	4,195	17%	94%	194%
Amortization, deferred commissions	533	1,698	3,077	810	1,057	219%	81%	30%
Depreciation and amortization	494	904	989	230	278	83%	9%	21%
Asset Management Operating Expenses	$ 23,598	$ 37,633	$ 50,510	$ 10,843	$ 14,278	59%	34%	32%
Investment Banking:								
Employee compensation and benefits	$ 3,147	$ 7,399	$ 6,355	$ 751	$ 2,282	135%	-14%	204%
General and administrative	1,721	1,542	1,591	346	707	-10%	3%	104%
Depreciation and amortization	23	23	13	3	3	0%	-43%	0%
Investment Banking Operating Expenses	$ 4,891	$ 8,964	$ 7,959	$ 1,100	$ 2,992	83%	-11%	172%

March 31, 2004 compared to March 31, 2003

Consolidated Results

Our total revenue increased by 133% to $27.3 million in the three months ended March 31, 2004 from $11.7 million in the three months ended March 31, 2003. This increase was primarily the result of an $8.9 billion net increase in assets under management at March 31, 2004 as compared to March 31, 2003. This increase in assets under management led to growth in Asset Management revenue of 112% to $22.8 million in the three months ended March 31, 2004 from $10.8 million in the three months ended March 31, 2003. Revenue from Investment Banking increased by 356% to $4.5 million in the three months ended March 31, 2004 from $1.0 million in the three months ended March 31, 2003.

Our operating expenses increased by 45% to $17.3 million in the three months ended March 31, 2004 from $12.0 million in the three months ended March 31, 2003. This increase was primarily a result of higher employee compensation and benefits and greater distribution and service fee expenses, which represented 23% and 52%, respectively, of the total operating expense increase for the three months ended March 31, 2004. We had operating income of $10.0 million for the three months ended March 31, 2004 compared to an operating loss of $0.2 million for the three months ended March 31, 2003. The operating loss for the three months ended March 31, 2003 was the result of a shareholder bonus accrual of $2 million.

Our income tax expense consists of New York State and New York City income taxes. Income tax expense was $0.8 million in the three months ended March 31, 2004 compared to a nominal income tax benefit in the three months ended March 31, 2003. Net income increased to $9.3 million in the three months ended March 31, 2004 from a net loss of $0.1 million in the three months ended March 31, 2003.

Prior to the closing of this offering, we will revoke our status as an S corporation and will be taxed as a C corporation, which we expect will result in additional income taxes payable by us. If we had revoked our S corporation tax status and elected to be taxed as a C corporation on January 1, 2003, based on an estimated combined effective tax rate of 42%, we would have paid $3.6 million in additional income taxes for the three months ended March 30, 2004.

Asset Management

Revenue. Asset Management revenue increased 112% to $22.8 million in the three months ended March 31, 2004 from $10.8 million in the three months ended March 31, 2003. Investment advisory and administration fees increased 107% to $19.7 million in the three months ended March 31, 2004, compared to $9.5 million in the three months ended March 31, 2003.

In the three months ended March 31, 2004, total revenue from closed-end mutual funds was $8.8 million, compared to $2.7 million in the three months ended March 31, 2003. In the three months ended March 31, 2004, we launched Cohen & Steers REIT and Utility Income Fund and Cohen and Steers Select Utility Fund, two closed-end mutual funds. Additional assets under management that resulted from these funds' offerings resulted in a revenue increase of $1.5 million in the first quarter of 2004 , which represented 25% of the $6.1 million increase in total closed-end mutual fund revenue for the three months ended March 31, 2004.

In the three months ended March 31, 2004, total revenue from open-end mutual funds was $8.3 million, compared to $4.8 million in the three months ended March 31, 2003. Net subscriptions into Cohen & Steers Equity Income Fund were $120.5 million during the three months ended March 31, 2004. These net subscriptions, together with market appreciation, accounted for the 147% growth in distribution and service fee revenue. Distribution and service fee revenue totaled $2.4 million for the three months ended March 31, 2004, compared to $1.0 million in the three months ended March 31, 2003.

Expenses. Asset Management operating expenses increased 32% to $14.3 million in the three months ended March 31, 2004 from $10.8 million in the three months ended March 31, 2003, partially from increases in distribution and service fee expenses and partially from increases in general and administrative expense and amortization of deferred commissions .. Substantial growth in net inflows into our new closed-end and existing open-end mutual funds was the primary contributor to the 194% increase of distribution and service fee expenses to $4.2 million in the three months ended March 31, 2004 from $1.4 million in the three months ended March 31, 2003 and the 30% increase in amortization of deferred commissions to $1.1 million in the three months ended March 31, 2004 from $0.8 million in three months ended March 31, 2003. Employee compensation and benefits expense decreased by 4% to

$6.7 million in the three months ended March 31, 2004 from $7.0 million in the three months ended March 31, 2003 primarily as a result of no shareholder bonus accrual in the three months ended March 31, 2004, compared to a $2 million shareholder bonus accrual during the three months ended March 31, 2003. However, Asset Management other compensation increased by $1.6 million during the three months ended March 31 , 2004 due to additional hiring as a result of growth and business expansion.

Included in Asset Management operating expenses were expenses incurred to operate and maintain our two fractional aircraft interests in the amounts of $0.2 million and $0.2 million for the three months ended March 31, 2003 and 2004 , respectively, which comprised 2% and 2% of total operating expenses for those periods, respectively. These expenses include monthly management fees and flight activity.

Investment Banking

Revenue. Investment Banking revenue increased 356% to $4.5 million in the three months ended March 31, 2004 from $1.0 million in the three months ended March 31, 2003, primarily as a result of increased transaction volume and average revenue per client from both new and existing clients. Average revenue per revenue generating client increased 291% to $0.6 million in the three months ended March 31, 2004 from $0.2 million in the three months ended March 31, 2003. Investment Banking generated revenue from seven clients during the three months ended March 31, 2004 compared to six clients during the three months ended March 31, 2003. Of the seven clients during the three months ended March 31, 2004, three were new clients. For the three months ended March 31, 2004, three of our clients represented 97% of revenue. For the three months ended March 31, 2003, two clients represented 85% of revenue.

Expenses. Investment Banking operating expenses increased 172% to $3.0 million in the three months ended March 31, 2004 from $1.1 million in the three months ended March 31, 2003. The increase in total expenses is due to an increase of $1.5 million in employee compensation and benefits expense relating primarily to the accrual of year-end incentive bonuses reflecting the increased profitability of the business segment in the three months ended March 31, 2004 compared to the three months ended March 31, 2003. Employee compensation and benefits for Investment Banking constituted 51% of revenue during the three months ended March 31, 2004, compared to 77% during the three months ended March 31, 2003. Other operating expenses increased to $0.7 million in the three months ended March 31, 2004 from $0.3 million in the three months ended March 31, 2003. Other operating expenses primarily include overhead such as allocated costs from Asset Management for office space, professional fees, travel and meals, market data, network and computer and other office expenses.

2003 compared to 2002

Consolidated Results

Our total revenue increased by 27% to $70.3 million in 2003 from $55.2 million in 2002. This increase was primarily the result of a $5.1 billion net increase in assets under management. This increase in assets under management led to growth in Asset Management revenue of 40% to $59.1 million in 2003 from $42.2 million in 2002. Revenue from Investment Banking declined by 14% to $11.3 million in 2003 from $13.1 million in 2002. The reduction in Investment Banking revenue in 2003 compared to 2002 was due to lower average revenue per revenue generating client in 2003 compared to 2002.

Our operating expenses increased by 25% to $58.5 million in 2003 from $46.6 million in 2002. This increase was primarily a result of higher employee compensation and benefits and greater distribution and service fee expenses, which represented 41% and 37%, respectively, of the total operating expense increase for 2003. Our operating income increased by 37% to $11.9 million in 2003 from $8.6 million in 2002.

Income taxes declined to $0.1 million in 2003 from $0.6 million in 2002, primarily as a result of accrued income tax refunds on amended tax returns filed or expected to be filed for prior period state and local income taxes. These returns will be filed utilizing more advantageous apportionment rules allowed under New York State and New York

City tax regulations . Net income increased by 43% to $12.1 million in 2003 from $8.4 million in 2002.

Following this offering, we expect that we will incur additional annual expenses of approximately $3 million as a result of becoming a public company, for, among other things, D&O insurance, director fees, Securities and Exchange Commission reporting, transfer agent fees, professional fees and similar expenses. Prior to the closing of this offering, we will revoke our status as an S corporation and will be taxed as a C corporation, which we expect will result in additional income taxes payable by us. If we had revoked our S corporation tax status and elected to be taxed as a C corporation on January 1, 2003, based on an estimated combined effective tax rate of 42% , we would have paid $8 million in additional income taxes for the year ended December 31, 2003 ..

Asset Management

Revenue. Asset Management revenue increased 40% to $59.1 million in 2003 from $42.2 million in 2002. Investment advisory and administration fees increased 34% to $51.6 million in 2003, compared to $38.4 million in 2002.

In 2003, total revenue from closed-end mutual funds was $18.6 million, compared to $7.8 million in 2002. In 2003, we launched Cohen & Steers REIT and Preferred Income Fund, a closed-end mutual fund. Additional assets under management that resulted from this fund's offerings resulted in revenue increases of $5.8 million, which represented 54% of the $10.7 million increase in total closed-end mutual fund revenue for 2003. We also raised $162 million in auction market preferred shares in follow-on offerings for three of our closed-end mutual funds, Cohen & Steers Advantage Income Realty Fund, Cohen & Steers Quality Income Realty Fund and Cohen & Steers Premium Income Realty Fund. These three funds collectively generated an additional $4.8 million in closed-end mutual fund revenue for 2003, compared to the revenue generated by these funds for 2002.

Net subscriptions into Cohen & Steers Equity Income Fund were $497.2 million during 2003. These net subscriptions, together with market appreciation, accounted for the 91% growth in distribution and service fees. Distribution and service fee revenue totaled $5.9 million for 2003, compared to $3.1 million in 2002.

Expenses. Asset Management operating expenses increased 34% to $50.5 million in 2003 from $37.6 million in 2002, partially from an increase in employee compensation and benefits expense and partially from increases in distribution and service fee expense, general and administrative expense and amortization of deferred commissions .. Employee compensation and benefits expense increased by 24% to $30.8 million in 2003 from $24.9 million in 2002. This was a result of increased salaries, greater employee incentive compensation and additional hiring as a result of growth and business expansion. Employee incentive compensation increased by $3.5 million, representing 60% of the total employee compensation and benefits increase. The increase in incentive compensation for Asset Management was attributable to performance , growth and business expansion.

Substantial growth in net inflows into our new and existing open-end and closed-end mutual funds was the primary contributor to the 94% increase of distribution and service fee expenses to $9.2 million in 2003 from $4.7 million in 2002 and the 81% increase in amortization of deferred commissions to $3.1 million in 2003 from $1.7 million in 2002.

Expenses incurred to operate and maintain the two aircraft for the years ended December 31, 2003 and 2002 were $0.8 million and $0.7 million, respectively, which comprised 1% and 2% of the total operating expenses for those periods, respectively.

Investment Banking

Revenue. Investment Banking revenue declined 14% to $11.3 million in 2003 from $13.1 million in 2002 primarily as a result of lower average revenue per revenue generating client. Average revenue per revenue generating client decreased 15% to $1.1 million in 2003 from $1.3 million in 2002. Investment Banking generated revenue from ten clients in 2003 and ten clients in 2002. Of the ten clients in 2003, five were new clients in 2003. For 2003, four of our clients

represented 97% of revenue. For 2002, two clients represented 71% of revenue. Investment Banking revenue can vary significantly from year to year and may be adversely impacted by a number of factors in any given year, including but not limited to the general market conditions and the number and the average size of client engagements. In addition, as Investment Banking revenue is typically recorded only at the time of the successful consummation of a client's transaction, our operating results may vary significantly from quarter to quarter and from year to year.

Expenses. Investment Banking operating expenses declined 11% to $8.0 million in 2003 from $9.0 million in 2002. The decrease in total expenses is due to a decrease of $1.0 million in employee compensation and benefits expense relating primarily to a reduction in year-end incentive bonuses paid to our senior investment banking professionals , reflecting lower profitability of the business segment in 2003. Employee compensation and benefits for Investment Banking constituted 56% of revenue during 2003, compared to 57% in 2002. Other operating expenses remained constant at $1.6 million in 2003 and 2002. Other operating expenses primarily include overhead such as allocated costs from Asset Management for office space, professional fees, travel and meals, market data, network and computer and other office expenses.

2002 compared to 2001

Consolidated Results

Our total revenue increased 57% to $55.2 million in 2002 from $35.3 million in 2001. Asset Management accounted for 49% of the increase, with revenue growing to $42.2 million in 2002 from $32.4 million in 2001. This increase was primarily the result of growth in assets under management of $926 million. Investment Banking, which increased revenue to $13.1 million in 2002 from $2.9 million in 2001, accounted for the remaining 51% increase in total revenue. Much of the growth in revenue in Investment Banking during 2002 related to success fees generated for transactions involving two restructuring and recapitalization engagements which we commenced in January 2001 .

Our operating expenses increased 64% to $46.6 million in 2002 from $28.5 million in 2001. This increase in expenses was primarily due to an increase in employee compensation and benefits, which represented 86% of the total operating expense increase, and increased amortization of deferred commissions for Cohen & Steers Equity Income Fund, which represented 6% of the increase. Total compensation increased as a result of general business expansion in Asset Management and increased incentive bonuses in Investment Banking. Additionally, in August 2001, we began internally financing commissions for the Class B shares of Cohen & Steers Equity Income Fund. This resulted in an increase in amortization of deferred commissions to $1.7 million in 2002 from $0.5 million in 2001. Our operating income increased by 27% to $8.6 million in 2002 from $6.8 million in 2001.

Income taxes remained relatively constant at $0.6 million in 2002 and $0.7 million in 2001. Net income increased by 28% to $8.4 million in 2002 from $6.6 million in 2001.

Asset Management

Revenue. Asset Management revenue increased 30% to $42.2 million in 2002 from $32.4 million in 2001. Investment advisory and administration fees increased 25% to $38.4 million in 2002 from $30.8 million in 2001.

In 2001, we launched a closed-end mutual fund, Cohen & Steers Advantage Income Realty Fund, which raised $478 million in 2001 and an additional $50 million in auction market preferred shares in 2002. Additional assets under management from this fund's offerings resulted in revenue increases of $1 million in 2002. This represented 17% of the $5.8 million increase in total closed-end mutual fund revenue in 2002.

During 2002, we launched Cohen & Steers Quality Income Realty Fund and Cohen & Steers Premium Income Realty Fund, which raised $1.0 billion and $513.7 million in common and auction

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market preferred shares, respectively. The additional assets under management raised during 2002 from these funds resulted in an additional $4.7 million in revenue, or 81% of the $5.8 million increase in total closed-end mutual fund revenue for 2002.

In addition, net subscriptions into Cohen & Steers Equity Income Fund were $262.8 million during 2002. These net subscriptions were primarily responsible for the increase in distribution and service fee revenue which increased to $3.1 million in 2002 from $1.1 million in 2001.

Expenses. Asset Management operating expenses increased 59% to $37.6 million in 2002 from $23.6 million in 2001, primarily due to an increase in the segment's employee compensation and benefits expenses. Higher salaries and incentive compensation, as well as an increase in employees due to business expansion, resulted in an 84% increase in total employee compensation and benefits expense , which totaled $24.9 million for 2002 compared to $13.6 million in 2001. The $7.8 million increase in bonuses for our co-chief executive officers to $10.0 million in 2002 from $2.2 million in 2001 accounted for 68% of the increase in total employee compensation and benefits in 2002. In addition, employee incentive compensation increased by $1.6 million in 2002, representing 14% of the total employee compensation and benefits increase.

In August 2001, we began internally financing the commissions of the Class B shares of Cohen and Steers Equity Income Fund. This, as well as increased net subscriptions into this fund, resulted in a 219% increase in amortization of deferred commissions to $1.7 million in 2002 from $0.5 million in 2001.

Expenses incurred to operate and maintain the two aircraft for the years ended December 31, 2002 and 2001 were $0.7 million and $0.2 million, respectively, which comprised 2% and 1% of the total operating expenses for those periods, respectively.

Investment Banking

Revenue. Investment Banking revenue increased by 358% to $13.1 million in 2002 from $2.9 million in 2001 primarily as a result of increased transaction volume and average revenue per revenue generating client from both new and existing clients. Average revenue per revenue generating client increased to $1.3 million in 2002 from $0.3 million in 2001. A majority of the increase in revenue related to success fees generated for transactions consummated in 2002 involving two restructuring and recapitalization engagements entered into in early 2001. Investment Banking generated revenue from ten clients in 2002, compared to nine clients in 2001. Of the ten clients in 2002, five were new clients in 2002. For 2002, two of our clients represented 71% of revenue. For 2001, three clients represented 73% of revenue.

Expenses. Investment Banking operating expenses increased 83% to $9.0 million in 2002 from $4.9 million in 2001. The increase in operating expenses is primarily due to an increase of $4.3 million in employee compensation and benefits expense relating primarily to year-end incentive bonuses reflecting the increased profitability of the business segment in 2002 compared to 2001. As a result of the loss incurred by the business segment in 2001, no incentive bonuses were paid to our senior investment banking professionals in 2001. Employee compensation and benefits for Investment Banking constituted 56% of revenue during 2002, compared to 110% during 2001. Other operating expenses remained relatively constant at $1.6 million for 2002 and $1.7 million for 2001.

Liquidity and Capital Resources

The following table summarizes key statement of financial condition data relating to our liquidity and capital resources as of December 31, 2002 and 2003 and March 31, 2004, and cash flow data for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004 :

	December 31 ,		March 31, 2004
	2002	2003	
	($ in thousands)		
Statement of financial condition data:			
Cash and cash equivalents	$ 6,090	$ 7,526	$ 8,574
Accounts receivable—Company-sponsored mutual funds	2,713	5,179	6,637
Deferred commissions, net	3,954	6,523	6,772
Current portion of long-term debt	141	120	116
Current portion of obligations under capital leases	12	16	16
Bank line of credit	3,020	4,713	4,584
Long-term debt	1,774	1,661	1,632
Obligations under capital leases	4	27	23

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	($ in thousands)				
Cash flow data:					
Operating cash flows	$ 5,759	$ 7,146	$ 10,721	$ 5,368	$ 13,112
Investing cash flows	(2,303)	(1,432)	(1,589)	(141)	(398)
Financing cash flows	(5,443)	(2,374)	(7,696)	(1,530)	(11,666)

We are highly liquid. Cash, cash equivalents and current accounts receivable from our mutual funds remained relatively constant at 36% , 37% and 38% of our total assets as of December 31, 2002 and 2003 and as of March 31, 2004 , respectively. Our principal uses of cash have historically been to pay salaries and bonuses to our employees and other operating expenses, including fees and sales commissions associated with the distribution of our mutual funds. We have also historically made cash distributions to our stockholders. Our cash and liquidity requirements for these and our other uses of cash have primarily been met through cash generated by operations and we expect that this will continue to be the case following the offering.

Operating Cash Flows

Net cash provided by operating activities increased 142% to $13.1 million in the three months ended March 31, 2004 from $5.4 million in the three months ended March 31, 2003 as a result of higher levels of assets under management and increased Investment Banking revenue. Net cash provided by operating activities increased 50% to $10.7 million in 2003 from $7.1 million in 2002 primarily because of additional Asset Management revenue from higher levels of assets under management despite decreases in Investment Banking revenue . Net cash provided by operating activities increased 24% to $7.1 million in 2002 from $5.8 million in 2001 due to higher levels of assets under management and increased Investment Banking revenue.

Deferred sales commission paid to broker-dealers for the distribution of Cohen & Steers Equity Income Fund's Class B and Class C shares increased by 122% to $1.3 million in the three months ended March 31, 2004 from $0.6 million in the three months ended March 31, 2003 due to an overall increase in net subscriptions into Class B and

Class C shares of the fund . Deferred sales commissions increased by 37% to $5.6 million in 2003 from $4.1 million in 2002 due to an increase in net subscriptions into the Class B and Class C shares of the fund . Deferred sales commissions increased by 95% to $4.1 million in 2002 from $2.1 million in 2001 as we began internally financing the Class B share deferred sales commissions in August 2001. The payment of deferred sales commissions will likely continue to increase if sales of Class B and Class C shares continue to increase. The amortization of deferred sales commissions will be similarly affected.

Employee compensation and benefits, general and administrative expenses and distribution and service fee expenses are significant uses of cash and will increase as we continue to expand our product offerings and our assets under management. We intend to reduce our co-chief executive officers' compensation as a result of the conversion from an S corporation to a C corporation. We also expect that following this offering we will incur additional annual expenses of approximately $3 million as a result of becoming a public company for, among other things, D&O insurance, director fees, Securities and Exchange Commission reporting, transfer agent fees, professional fees and similar expenses.

Investing Cash Flows

Investing activities consist primarily of the purchases of property and equipment and purchases of investments in our sponsored mutual funds. Cash used in such investing activities in the three months ended March 31, 2004 was $0.3 million, compared to $0.1 million in the three months ended March 31, 2003. Cash used in such investing activities was $1.6 million in 2003, compared to $1.4 million in 2002 and $2.3 million in 2001.

Purchases of other property and equipment increased 268% to $1.1 million in 2003 from $0.3 million in 2002, primarily due to the purchases of computer equipment totaling $0.4 million. This equipment will be utilized for our backup facility and disaster recovery plan. In 2001, purchases of other property and equipment totaled $0.5 million. In 2001, we purchased a 6.25% fractional ownership interest in an aircraft for $1.4 million. In 2002, we purchased a 6.25% fractional interest in a second aircraft for $0.6 million. The two aircraft are included in property and equipment. The aircraft were purchased as a means to reduce overall travel time and to increase the efficiency of the business trips of our principals and executives . We believe these benefits outweigh the expenses incurred to operate and maintain the aircraft.

Purchases of investments in sponsored mutual funds totaled $0.3 million in the three months ended March 31, 2004, compared to $0.1 million in the three months ended March 31, 2003. In the three months ended March 31, 2004, we provided the initial seed investments for one sponsored mutual fund in the total amount of $0.2 million, compared to no such seed investments in the three months ended March 31, 2003. Purchases of investments in sponsored mutual funds totaled $0.5 million in 2003, $0.5 million in 2002 and $0.4 million in 2001. In each of 2002 and 2003, we provided the initial seed investments for two sponsored mutual funds, compared to one such seed investment in 2001. The amounts seeded in 2002 and 2003 totaled approximately $200,000 in each year, compared to $100,000 in 2001. We anticipate investing in future sponsored mutual funds and the investments may increasingly become more of a significant use of cash.

Financing Cash Flows

Net cash used in financing activities increased 663% to $11.7 million in the three months ended March 31, 2004 from $1.5 million in the three months ended March 31, 2003. Net cash used in financing activities increased 224% to $7.7 million in 2003 from $2.4 million in 2002, which was a 56% decrease from cash used in financing activities of $5.4 million in 2001.

S corporation cash distributions to stockholders were $11.5 million in the three months ended March 31, 2004, compared to $1.5 million in the three months ended March 31, 2003. S corporation cash distributions to stockholders were $9.3 million in 2003, $7.3 million in 2002 and $8.6 million in 2001. Following the offering we intend to pay quarterly cash dividends to holders of our common stock. See “Dividend Policy.”

In March 2002, we entered into a $5 million credit agreement with State Street Bank. This line of credit is used exclusively for internally financing the deferred sales commissions of the Class B shares of Cohen & Steers Equity Income Fund. At March 31, 2004, $4.6 million was outstanding on this line of credit compared to $4.7 million at December 31, 2003 and $3.0 million at December 31, 2002. This line of credit bears interest at the federal funds rate (1.25%, 0.96% and 1.05% at December 31, 2002, 2003 and March 31, 2004 , respectively) plus 1% per annum and requires the payment of an annual commitment fee of approximately $12,000. The line of credit is collateralized by distribution fees and contingent deferred sales charge revenue associated with the Class B shares of Cohen & Steers Equity Income Fund and certain of our assets. In December

2003, State Street increased the line of credit to $7 million. We are currently in negotiations with State Street to increase the line of credit to $10 million.

In September 2001, we financed the purchase of a 6.25% fractional ownership interest in an aircraft by obtaining a loan in the amount of $1.4 million. The loan is secured by the interest in the aircraft. The loan is payable in 60 fixed monthly installments of approximately $12,800, including principal and interest (adjusted monthly) at the one month LIBOR rate (1.38%, 1.12% and 1.09% at December 31, 2002, and 2003, and March 31, 2004, respectively) plus 2.50% per annum, with the remaining balance payable upon the maturity date, November 4, 2006. In May 2002, we financed the purchase of a 6.25% fractional ownership interest in a second aircraft by obtaining a loan in the amount of $0.6 million. The loan is secured by the interest in the second aircraft. The loan is payable in 60 fixed monthly installments of approximately $3,200 in principal, plus interest (adjusted monthly) at the one month LIBOR rate plus 2.98% per annum, with the remaining balance payable upon the maturity date, May 1, 2007.

During 2001 and 2002, our principals, as the stockholders of Cohen & Steers Securities, Inc. made capital contributions to that company of $2.0 million and $1.7 million, respectively. On July 1, 2002, Cohen & Steers Securities, Inc. was succeeded by Cohen & Steers Securities, LLC, a wholly owned subsidiary of Cohen & Steers Capital Management, Inc. No additional capital contributions subsequent to that date have been made.

During 2002 Investment Banking repaid, in full, subordinated loans owed to each of its three senior investment banking professionals . The total principal amount repaid was $0.5 million, plus accrued interest. These loans bore interest at an annual rate of 8%. These loans were originated in 1999 at the inception of the Investment Banking business, and were used for start up costs and general corporate and regulatory capital requirements.

Prior to the closing of this offering, we will revoke our status as an S corporation and will be taxed as a C corporation, which we expect will result in additional income taxes payable by us. If we had revoked our S corporation tax status and elected to be taxed as a C corporation on January 1, 2003, based on an estimated combined effective tax rate of 42% , we would have paid $8.0 million and $3.6 million in additional income taxes for the year ended December 31, 2003 and the three months ended March 31, 2004, respectively .

Contractual Obligations

We have contractual obligations to make future payments in connection with our non-cancelable operating lease agreements for office space, long-term debt on aircraft, bank line of credit and capital leases for office equipment. The following summarizes our contractual obligations as of December 31, 2003:

	2004	2005	2006	2007	2008 and after	Total
			($ in thousands)			
Operating leases	$ 1,008	$ 1,157	$ 1,163	$ 1,163	$ —	$ 4,491
Long-term debt	120	118	1,104	439	—	1,781
Bank line of credit(1)	785	1,571	1,571	786	—	4,713
Capital lease obligations, net	17	13	13	—	—	43
Total Contractual Obligations	$ 1,930	$ 2,859	$ 3,851	$ 2,388	$ —	$ 11,028

(1) During March 2004, the conversion date on our $7 million line of credit with State Street Bank was extended until May 18, 2004 at which time it will convert into a three year term loan. We are currently in negotiations with State Street Bank to extend the conversion date for this line of credit for one year until May 18, 2005 and increase the line of credit to $10 million.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any leasing activities that expose us to any liability that is not reflected in our consolidated financial statements.

Market Risk

We had a total of approximately $6.5 million and $7.4 million invested in sponsored equity funds as of December 31, 2003 and March 31, 2004 , respectively . In addition, a significant majority of our revenue—approximately 73% and 72% for the year ended December 31, 2003 and the three months ended March 31, 2004 —is derived from investment advisory agreements with our clients. Under these agreements, the investment advisory and administration fee we receive is typically based on the market value of assets under management. Accordingly, a decline in the prices of securities generally, and real estate securities in particular, may cause our revenue and income to decline by:

- causing the value of our assets under management to decrease, which would result in lower investment advisory and administration fees; or

- causing our clients to withdraw funds in favor of investments that they perceive as offering greater opportunity or lower risk, which would also result in lower investment advisory and administration fees.

In addition, market conditions may preclude us from increasing assets under management in closed-end mutual funds. A significant portion of our recent growth in assets under management has resulted from public offerings of the shares of our closed-end mutual funds. The market conditions for these offerings may not be as favorable in the future, which could adversely impact our ability to grow our assets under management and realize higher fee revenue associated with such growth.

The returns for REIT common stocks have demonstrated little correlation with interest rates over longer periods of time. However, an increase in interest rates could have a negative impact on the valuation of REITs and other securities in our clients' portfolios, which could reduce our revenue. In addition, an increase in interest rates could negatively impact our ability to increase our open-end mutual fund assets and to offer new mutual funds ..

Due to the nature of our business and our limited investments in short-term cash vehicles, we believe that we do not face any material interest rate risk, credit risk or foreign currency exchange rate risk.

Regulatory Compliance

Asset Management is subject to extensive government regulation. See “Business-Regulation We will, to the extent necessary, incur additional annual expenses to comply with the rules and regulatory requirements recently adopted by the Securities and Exchange Commission under the Investment Company Act of 1940 and the Investment Advisers Act of 1940. These requirements require us, among other things, to:

- adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws;

- review those policies and procedures annually for their adequacy and the effectiveness of their implementation; and

- designate a chief compliance officer to be responsible for administering the policies and procedures.

The Securities and Exchange Commission also has adopted amendments to require open-end mutual funds to disclose in their prospectuses the risks to shareholders of frequent purchases and redemptions of mutual fund shares. An open-end mutual fund must also disclose its policies and procedures with respect to such frequent purchases and redemptions, including its use of fair value pricing and of portfolio holdings information.

We are working with counsel to our funds as well as with counsel to the independent directors of such funds to ensure that we will be in compliance with all new regulatory requirements no later than the effective compliance date mandated by the Securities and Exchange Commission. We have not yet experienced, and do not foresee, any material affects on our operating results due to the implementation of these regulatory initiatives.

The Securities and Exchange Commission has proposed regulations that could revise or eliminate the ability of asset managers to use "soft dollars." If the use of "soft dollars" was eliminated in 2003, our operating expenses would have increased by $1.3 million. We would expect a similar increase in operating expenses for future periods if the use of "soft dollars" was eliminated.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies are an integral part of our consolidated financial statements. A thorough understanding of these accounting policies is therefore essential when reviewing our reported results of operations and our financial position. Our management considers the following accounting policies critical to an informed review of our consolidated financial statements. For a summary of these and additional accounting policies, see Note 2 of the notes to the audited consolidated financial statements beginning on page F-9 .

Amortization, Deferred Commissions

We capitalize and amortize sales commissions paid to broker-dealers in connection with the sale of Class B and Class C shares of Cohen & Steers Equity Income Fund and Cohen & Steers Utility Fund over the period during which the shareholders of these funds are subject to contingent deferred sales charges, none of which exceeds six years. We record in revenue distribution plan payments received from these funds as earned. We record additional amortization expense on Class B and Class C shares at a rate commensurate with the redemption rate of these funds for each class.

Should we lose our ability to recover such sales commissions through distribution plan payments and contingent deferred sales charges, the value of these assets would decline, as would future cash flows. We periodically review the amortization period for deferred sales commission assets and determine whether any adjustments to the useful lives of the assets are required if events or circumstances should cause the carrying amount of the deferred sales commission assets to not be recoverable over their amortization period.

Investment Advisory and Administration Fees

We earn revenue from asset management services provided to sponsored open-end and closed-end mutual funds and to institutional separate accounts. This revenue is based on the net assets of each client's portfolio and is earned pursuant to the terms of the underlying contract and is charged in arrears on a monthly or quarterly basis. We also earn revenue from administration fees paid by certain sponsored open-end and closed-end mutual funds, based on the average daily net assets of such funds. We recognize this revenue at various intervals throughout the year as we earn such fees.

We invoice our institutional separate accounts based on actual assets under management. Typically, these invoices are not prepared until we reconcile such assets under management to our internal records. Prospectively, as a public company, we intend to estimate investment advisory fees for our institutional separate accounts prior to this reconciliation process in order to enable us to prepare our financial statements more quickly on a timetable appropriate for a public company. We will prepare our estimates based on our internal records of our institutional separate accounts, which we currently maintain on a daily basis. We intend to set up accounts receivable based on these estimates, and reconcile, in a timely manner, when we finalize the institutional separate account assets under management and invoices. There could be a significant adjustment in revenue if our estimates differ in a material manner from actual invoiced amounts.

Recently Issued Accounting Pronouncements

Effective January 1, 2003, we adopted Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements of Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). This interpretation clarifies the requirements of Statements of Financial Accounting Standards No. 5, *Accounting for Contingencies*, relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that, upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The adoption of FIN 45 did not have a material effect on our consolidated financial statements.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"), which establishes guidance for consolidation of variable interest entities that function to support the activities of the primary beneficiary. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns. An entity that consolidates a variable interest entity is called the primary beneficiary of that entity. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights, or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 also requires various disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest.

In December 2003, the FASB further revised FIN 46 through FIN No. 46R, *Consolidation of Variable Interest Entities* ("FIN 46R"). FIN 46R changes the effective date of FIN 46 for certain entities and makes other significant changes to FIN 46 based on implementation issues that arose during 2003. Application of FIN 46R is required for periods ending after December 15, 2003 for all interests in special purpose entities and for periods ending after March 15, 2004 for interests in other entities. The adoption of FIN 46R did not have a material effect on our consolidated financial statements.

BUSINESS

Overview

We are the nation's largest manager of real estate mutual funds, based on our proprietary real estate mutual fund assets under management and we are a focused manager of income oriented equity securities portfolios. Our principals founded Cohen & Steers as an investment advisor in 1986 . While we continue to depend on the efforts of our principals, we have built a deep and experienced team of professionals who are also vitally important to our success.

The foundation of our company is our investment department. We were founded on the belief that fundamental research and analysis and portfolio management can generate excess returns for our clients . Our dedication to research and active portfolio management has enabled us to provide attractive returns for our institutional clients and mutual fund shareholders for over 18 years. We have also developed an effective distribution network that has contributed, along with our investment performance, to the rapid growth in our assets under management.

Our assets under management have increased at a compound annual rate of growth of nearly 40% , to $15.5 billion at March 31 , 2004 from $3.8 billion at December 31, 1999. In addition, as of March 31 , 2004, we provided portfolio consulting services for more than $1.5 billion in assets, which are not included in our assets under management. As a complement to Asset Management , we also provide investment banking services to companies in real estate and real estate intensive businesses.

We operate in two distinct business segments:

- *Asset Management* . Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from our mutual funds and investment advisory fees received from our institutional separate accounts. Fees earned by Asset Management are based on the net assets of each client's portfolio and on the net assets that underlie the investment products for which we provide portfolio consulting services.

- *Investment Banking.* Investment Banking derives revenue primarily from advising our clients on mergers, acquisitions, corporate restructurings, recapitalizations and similar corporate finance transactions and placing securities as agent for our clients. These fees are generally earned upon the consummation of the transaction pursuant to the terms of individual agreements.

The following table provides a breakdown of our consolidated and segment revenue and net income for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue					
Asset Management Revenue	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Investment Banking Revenue	2,853	13,077	11,279	978	4,463
Consolidated Revenue	$ 35,294	$ 55,246	$ 70,341	$ 11,743	$ 27,309

Net Income (Loss)					
Asset Management Net Income (Loss)	$ 8,374	$ 4,656	$ 8,847	$ (115)	$ 7,955
Investment Banking Net Income (Loss)	(1,770)	3,780	3,204	—	1,376
Consolidated Net Income (Loss)	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331

Asset Management

Our asset management business is fully integrated and organized into the following areas: investment research (portfolio management, research and trading), marketing and client servicing, account administration and legal/compliance. As of March 31 , 2004, we managed $4.5 billion in four open-end mutual funds, $7.7 billion in seven closed-end mutual funds and $3.4 billion in 39 institutional separate account portfolios for institutional investors, including some of the world's largest pension and endowment funds. We also serve as portfolio consultant for non-proprietary unit investment trusts.

Throughout our history we have been innovators in developing income oriented equity portfolios and investment vehicles. Our principals, while employed at another firm, organized and managed the first open-end real estate mutual fund in 1985. We launched the first closed-end real estate mutual fund in 1988 and the first leveraged, closed-end real estate mutual fund in 2001. As of March 31 , 2004, we managed five of the ten largest open-end and closed-end real estate mutual funds. We were the first firm to segment REIT investing into separate, distinct investment strategies , and in 1996 we began managing REIT preferred stock portfolios. We are a leader in combining complementary asset classes within a single investment vehicle, such as REITs with corporate preferred stocks or REITs with utility common stocks. In addition, we have developed a proprietary index for passive investment strategies. Our proprietary index is now the basis for the iShares Cohen & Steers Realty Majors Index Fund, the largest exchange traded real estate index fund. We also developed a hedging strategy for leveraged, closed-end mutual funds that has become a model for the industry.

While we have maintained our position as the nation's largest manager of real estate mutual funds, we have also diversified our asset management capabilities. In 2003, we built a capability in corporate preferred securities by attracting a team of investment professionals that includes a leading preferred securities strategist. As of March 31 , 2004, our preferred securities team managed $2.1 billion in real estate and corporate preferred stocks . In addition, we serve as portfolio consultant for several non-proprietary unit investment trusts that have more than $210 million in preferred securities. In December 2003, we formed a utility securities team led by one of the leading portfolio managers in this sector. As of March 31 , 2004, we managed $1.3 billion in utility common stocks in two closed-end mutual funds.

Our investment vehicles and strategies currently focus on the following areas:

- REIT common and preferred stocks
- Utility common stocks
- Corporate preferred stocks

Our Products

We manage assets in three account types:

- Closed-end mutual funds
- Open-end mutual funds
- Institutional separate accounts

The following table provides a breakdown of our revenue from investment advisory and administration fees by account type for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,						Three Months Ended March 31,			
	2001		2002		2003		2003		2004	
	($ in thousands)									
Investment advisory and administration fees:										
Closed-end mutual funds	$ 2,009	6.5%	$ 7,837	20.4%	$ 18,575	36.0%	$ 2,741	28.8%	$ 8,801	44.6%
Open-end mutual funds	18,019	58.5%	20,871	54.3%	24,225	46.9%	4,806	50.5%	8,282	42.0%
Institutional separate accounts	10,794	35.0%	9,707	25.3%	8,808	17.1%	1,973	20.7%	2,646	13.4%
Total	$ 30,822	100.0%	$ 38,415	100.0%	$ 51,608	100.0%	$ 9,520	100.0%	$ 19,729	100.0%

We also provide a variety of portfolio consulting services.

Closed-End Mutual Funds. Our seven closed-end mutual funds are investment companies that have issued a fixed number of shares through public offerings. These shares are listed on the New York Stock Exchange and cannot be redeemed by their shareholders. The trading price of the shares of a closed-end mutual fund is determined by supply and demand in the market place, which means the shares may trade at a premium or discount to the net asset value of the funds.

The following table provides a breakdown of our revenue from closed-end mutual fund investment advisory and administration fees for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in millions)		
Closed-end mutual fund advisory fees	$ 1.9	$ 7.5	$ 17.7	$ 2.6	$ 8.3
Closed-end mutual fund administration fees	0.1	0.3	0.9	0.1	0.5
Total closed-end mutual fund investment advisory and administration fees	$ 2.0	$ 7.8	$ 18.6	$ 2.7	$ 8.8

As of March 31 , 2004, we provided advisory and administrative services to the following seven closed-end mutual funds, each of which is listed on the New York Stock Exchange:

Fund	New York Stock Exchange Symbol	Assets under management as of March 31 , 2004	Year of Inception
		($ in millions)	
Cohen & Steers Total Return Realty Fund, Inc.	RFI	$ 171.9*	1993
Cohen & Steers Advantage Income Realty Fund, Inc.	RLF	$ 776.6	2001
Cohen & Steers Quality Income Realty Fund, Inc.	RQI	$ 1,147.7	2002
Cohen & Steers Premium Income Realty Fund, Inc.	RPF	$ 985.4	2002
Cohen & Steers REIT and Preferred Income Fund, Inc.	RNP	$ 2,074.6	2003
Cohen & Steers REIT and Utility Income Fund, Inc.	RTU	$ 1,721.5	2004
Cohen & Steers Select Utility Fund, Inc.	UTF	$ 786.8	2004

Pursuant to investment advisory agreements, we furnish a continuous investment program for each of our closed-end mutual funds, make day-to-day investment decisions for each fund, and generally manage each fund's investments in accordance with such fund's stated policies. In addition, pursuant to the investment advisory agreements, we provide persons satisfactory to the fund's directors to serve as officers of the fund. For services under the investment advisory agreement, our closed-end mutual funds pay us a monthly fee based on a percentage of each fund's average assets under management as follows:

Fund	Advisory Fee* (% of

	average assets under management)
Cohen & Steers Total Return Realty Fund, Inc.	0.70%
Cohen & Steers Advantage Income Realty Fund, Inc.	0.85%
Cohen & Steers Quality Income Realty Fund, Inc.	0.85%
Cohen & Steers Premium Income Realty Fund, Inc.	0.80%
Cohen & Steers REIT and Preferred Income Fund, Inc.	0.65%
Cohen & Steers REIT and Utility Income Fund, Inc.	0.85%
Cohen & Steers Select Utility Fund, Inc.	0.85%

* Advisory fee calculated based on average daily managed assets for all funds except Cohen & Steers Total Return Realty Fund, for which the advisory fee is calculated based on average weekly net assets .

For certain of our closed-end mutual funds, we have agreed to waive a portion of the investment advisory fee for a certain period of their initial operations as follows:

Investment Management Fee Waiver
(Fee waived as % of average daily managed assets)

Fund (Year of Inception)	First 5 years	Year 6	Year 7	Year 8	Year 9	Year 10
Cohen & Steers Advantage Income Realty Fund, Inc.(2001)	0.42%	0.35%	0.28%	0.21%	0.14%	0.07%
Cohen & Steers Quality Income Realty Fund, Inc. (2002)	0.32%	0.26%	0.20%	0.14%	0.08%	0.02%
Cohen & Steers Premium Income Realty Fund, Inc. (2002)	0.25%	0.20%	0.15%	0.10%	0.05%	—
Cohen & Steers REIT and Utility Income Fund, Inc. (2004)	0.20%	0.15%	0.10%	0.05%	—	—
Cohen & Steers Select Utility Fund, Inc. (2004)	0.20%	0.15%	0.10%	0.05%	—	—

Beginning in 2006, and continuing through 2012, certain management fee waivers on each of our closed-end mutual funds other than Cohen & Steers Total Return Realty Fund, and Cohen & Steers REIT and Preferred Income Fund, are scheduled to begin to expire, subject to approval by each such fund's board of directors. We expect the expiration of these fee waivers to result in higher revenue, assuming constant asset levels. These fee waivers provide a direct benefit to fund investors by lowering the expenses associated with investing in our funds and improving each fund's potential performance for the term of the waiver . As a result, we believe the fee waivers aided the sales efforts for each fund.

Pursuant to administration agreements, we provide certain administration and accounting oversight functions for each of our closed-end mutual funds, including providing administration services necessary for the operations of each fund and furnishing office space and facilities required for conducting the business of each such fund. For these services, certain of these funds pay us a monthly administration fee based on a percentage of each fund's average daily managed assets. Each of our closed-end mutual funds has entered into a fund accounting and administration agreement with State Street Bank and Trust Company to provide each fund with certain additional fund administration services for a monthly administration fee computed on the basis of the net assets of that fund.

We oversee administrative services that State Street provides to each fund. For example, in the case of the daily pricing of each fund, State Street calculates each fund's net asset value. Independently, we calculate each fund's net asset value and reconcile with State Street following the close of trading each day on fund pricing. This serves as a control on the fund's daily net asset value calculation. We also oversee State Street in its capacity as administrator and custodian for each fund, as well oversee the services provided by each fund's transfer agent.

Our investment advisory and administration agreements with our closed-end mutual funds are generally terminable upon 60 or fewer days' notice, and each investment advisory agreement, including the fees payable thereunder, is subject to annual approval by the closed-end mutual fund's board of directors, as well as by a majority of the directors who are not interested persons.

Each closed-end mutual fund board currently consists of eight directors. Mr. Cohen and Mr. Steers serve as a director of each fund. The other six members of the board are independent directors. The Investment Company Act of 1940 and Securities and Exchange Commission rules and interpretations require that at least a majority of the independent directors approve certain items, such as the entry into and continuation of investment advisory agreements between the fund and the investment advisor.

All of our closed-end mutual funds, other than Cohen & Steers Total Return Realty Fund, are leveraged. Cohen & Steers Total Return Realty Fund has the authority to use leverage, although there is no current intention to do so. A closed-end mutual fund is considered leveraged if it borrows money or issues debt or preferred securities to increase its total assets. Our leveraged closed-end mutual funds have issued preferred securities in an effort to increase returns for their shareholders by investing the additional capital raised through leverage in securities that produce a higher rate of return than the cost of using leverage. When our closed-end mutual funds use leverage, the fees paid to us for investment advisory and administration services are higher than if such funds did not use leverage because the fees paid are calculated based on each such fund's managed assets, which includes the liquidation preference of the preferred securities and the principal amount of any outstanding borrowings used for leverage. Leverage, however, can increase a fund's volatility, as a leveraged fund's net asset value per share will fall at a greater rate when the fund's portfolio securities decline in value. We have not recommended to the Cohen & Steers Total Return Realty Fund's board of directors that this fund add leverage, as this provides investors with the option of selecting a non-leveraged closed-end real estate mutual fund if that is more consistent with their risk profile.

Open-End Mutual Funds. Our open-end mutual funds offer and issue new shares continuously as investors invest new money, and redeem shares when investors withdraw money. The share price for purchases and redemptions of each of our open-end mutual funds is determined by each fund's net asset value, which is calculated at the end of each business day. The net asset value per share is the current value of a fund's assets less liabilities, divided by the fund's total shares outstanding.

The following table provides a breakdown of our revenue from open-end mutual fund investment advisory and administration fees for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	**2002**	**2003**	**2003**	**2004**
			($ in millions)		
Open-end mutual fund advisory fees	$ 17.7	$ 20.5	$ 23.8	$ 4.7	$ 8.1
Open-end mutual fund administration fees	0.3	0.4	0.4	0.1	0.2
Total open-end mutual fund investment advisory and administration fees	$ 18.0	$ 20.9	$ 24.2	$ 4.8	$ 8.3

As of March 31 , 2004, we provided advisory and administrative services to the following four Cohen & Steers open-end mutual funds .

Fund	**Primary Objective**	**Assets as of March 31 , 2004 ($ in millions)**	**Year of Inception**
Cohen & Steers Realty Shares, Inc.	Total return	$ 1,888.1	1991
Cohen & Steers Special Equity Fund, Inc.	Capital appreciation	$ 35.3	1997
Cohen & Steers Equity Income Fund, Inc.	High current income	$ 1,552.2	1997
Cohen & Steers Institutional Realty Shares, Inc.	Total return	$ 1,038.4	2000

As with our closed-end mutual funds, pursuant to investment advisory agreements, we furnish a continuous investment program for each of our open-end mutual funds, make day-to-day investment decisions for each fund, and generally manage each fund's investments in accordance with such fund's stated policies. In addition, pursuant to the investment advisory agreements, we provide persons satisfactory to each fund's directors to serve as that fund's officers. For these services, each of our open-end mutual funds pays us a monthly management fee based on a percentage of the average daily net asset value of that fund.

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The annual advisory and administration fees for each of our open-end mutual funds are payable on a monthly basis and are calculated as follows:

Fund	**Advisory and Administration Fees**
	(as % of average daily net assets)
Cohen & Steers Realty Shares, Inc.	0.87% up to $1.5 billion. 0.77% in excess of $1.5 billion
Cohen & Steers Institutional Realty Shares, Inc.(1)	0.75%
Cohen & Steers Special Equity Fund, Inc.	0.92%
Cohen & Steers Equity Income Fund, Inc.	0.77% up to $1.5 billion. 0.67% in excess of $1.5 billion
Cohen & Steers Utility Fund, Inc.(2)	0.77% up to $1.5 billion. 0.67% in excess of $1.5 billion

(1) We bear all of this fund's ordinary operating expenses.
(2) Launched in April 2004.

We currently have agreed to waive our investment advisory fee and/or reimburse our open-end mutual funds as follows:

- we reimburse Cohen & Steers Institutional Realty Shares, Inc. so that its total annual operating expenses never exceed 0.75% of average daily net assets, a commitment that will remain in place for the life of the fund.

- we waive our investment advisory fee and/or reimburse Cohen & Steers Special Equity Fund, Inc. for expenses incurred in order to limit the fund's total expense ratio to 1.50% of the fund's net assets through December 31, 2004.

- we waive our investment advisory fee and/or reimburse Cohen & Steers Utility Fund, Inc. for expenses incurred in order to limit the fund's total expense ratio through December 31, 2004 to 1.50% of the fund's Class A share net assets, 2.15% of the Class B shares and Class C shares net assets and 1.15% of the fund's Class I shares net assets.

As in the case of our closed-end mutual funds, these fee waivers and expense reimbursements provide a direct benefit to fund investors by lowering the expenses associated with investing in our funds and improving each fund's potential performance for the term of the waiver. As a result, we believe the fee waivers aid in the sales efforts for each fund.

Pursuant to administration agreements, we provide certain administration and accounting functions to each of our open-end mutual funds, including providing administration services necessary for the operations of each fund and furnishing office space and facilities required for conducting the business of each fund. For these services, each of our open-end mutual funds pays us a monthly administration fee based on a percentage of the fund's average daily net assets. Each of our open-end mutual funds has entered into a fund accounting and administration agreement with a third party to provide each fund with certain additional fund administration services for a monthly administration fee computed on the basis of the net assets of that fund.

As with our closed-end mutual funds, we oversee administrative services that State Street provides to each open-end mutual fund. For example, in the case of the daily pricing of each fund, State Street calculates each fund's net asset value. Independently, we calculate each fund's net asset value and reconcile with State Street following the close of trading each day on fund pricing. This serves as a control on the fund's daily net asset value calculation. We also oversee State Street in its capacity as administrator and custodian for each fund, as well oversee the services provided by each fund's transfer agent.

Our investment advisory and administration agreements with our open-end mutual funds are generally terminable upon 60 or fewer days' notice, and each investment advisory agreement , including the fees payable thereunder, is subject to annual approval by the open-end mutual fund's board, as well as by a majority of the directors who are not interested persons.

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Each open-end mutual fund board currently consists of seven directors except for Cohen & Steers Utility Fund, which consists of eight directors. Our principals serve as a director of each fund. The other five members of the board are independent directors. The Investment Company Act of 1940 and Securities and Exchange Commission rules and interpretations require that at least a majority of the independent directors approve certain items, such as the entry into and continuation of investment advisory agreements between the fund and the investment advisor.

Institutional Separate Accounts. Our institutional separate accounts are customized, custodial portfolios of securities we manage for institutional clients. In each institutional separate account, unlike with our mutual funds , we manage the assets in a manner tailored to the investment preferences of that individual client and as clearly defined within each client's individual investment advisory agreement. Our institutional separate account advisory fee schedules are also subject to wider variation than our mutual funds. Our investment advisory agreements with our institutional separate account clients are generally terminable upon 60 or fewer days' notice. As of March 31 , 2004, we had 39 institutional separate accounts, which held $3.4 billion in assets on behalf of some of the world's largest pension and endowment funds and insurance companies. Revenue from our institutional separate accounts was $8.8 million in 2003 and $9.7 million in 2002.

Our sub-advisory and wrap-fee assets are included in our institutional separate account assets. Sub-advisory assets represent accounts for which we have been named as a sub-adviser by the investment advisor to that account. We currently serve as sub-advisor for a portfolio of the American Skandia Trust, as well as certain funds sponsored by Assante Corporation and Daiwa Asset Management. As sub-advisor, we have responsibility for managing the portfolio's investments, while the investment advisor oversees our performance as sub-advisor. Wrap fee assets represent assets received from wrap fee programs. Wrap fee programs bundle a number of investment services together for one fee. The sponsor of the wrap fee program will work with the client in helping the client select one or more firms to manage the client's account. We are currently an investment manager in two wrap fee programs.

Portfolio Consulting Services. As portfolio consultant, we provide several services in connection with investment products, such as unit investment trusts (UITs), that contain relatively static portfolios of securities. A unit investment trust is a registered investment company that holds a portfolio of securities that generally does not change during the life of the product except that the sponsor of the UIT may sell portfolio securities under certain narrowly defined circumstances. As portfolio consultant to a number of UITs, we construct a portfolio of securities that we believe is well suited to satisfying the investment objective of the UIT. We also provide ongoing supervisory services related to the portfolio. Finally, we also provide a license to certain firms to use our name in connection with their investment products.

We act as portfolio consultant for a series of UITs offered by Van Kampen and Morgan Stanley . We currently provide consulting services for nine REIT UITs and three preferred stock UITs, which collectively had an aggregate of $564 million in assets as of March 31, 2004 . Most of the UITs have two to five year terms.

In addition, we maintain our proprietary index, Cohen & Steers Realty Majors Index (RMP), listed on the American Stock Exchange, which is the basis for the iShares Cohen & Steers Realty Majors Index Fund (ICF) sponsored by Barclays. With assets of $922 million as of March 31, 2004 , this fund is currently the largest sector iShare sponsored by Barclays. We earn a licensing fee based on the fund's assets for the use of our index.

Our fee schedules for these relationships vary widely based on the type of services we provide for each relationship. Our total revenue from our portfolio consulting services was $0.8 million in 2003 and $0.3 million in 2002.

Our Assets Under Management

Our revenue is based on our assets under management and the asset value of investment products that underlie our portfolio consulting services . The following table sets forth the breakdown of our total assets under management by account and security type as of the dates shown, and the compound annual growth rates (CAGR) for our assets under management since December 31, 1999.

Assets Under Management

	December 31,						December 31, 1999 to March 31, 2004
	1999	2000	2001	2002	2003	March 31, 2004(2)	CAGR
	($ in millions)						
Breakdown by Account Type							
Closed-end Mutual Funds	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6	$ 7,664.5	179.0%
Open-end Mutual Funds	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0	28.2%
Institutional Separate Accounts	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8	11.8%
Total Assets Under Management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	39.6%
Breakdown by Security Type							
Real Estate Common Stocks	$ 3,606.1	$ 4,536.0	$ 5,259.4	$ 5,908.9	$ 9,892.6	$ 11,835.3	32.3%
Utility Common Stocks	—	—	—	—	—	1,296.1	n/a
Real Estate Preferred Stocks	32.4	55.7	266.6	597.1	836.0	1,205.1	134.2%
Corporate Preferred Stocks	—	—	—	—	683.9	895.2	n/a
Fixed Income(1)	2.3	2.5	6.2	13.5	109.1	118.3	154.0%
Cash and Short-Term Investments	121.3	164.3	165.3	104.3	158.5	189.3	n/m
Total Assets Under Management	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	39.6%

(1) Includes corporate bonds.

(2) Assumes that (i) the $338 million of cash in Cohen & Steers REIT & Utility Income Fund has been invested based on the following portfolio composition: 40% in utility common stocks, 40% in real estate common stocks, 13% in real estate preferred stocks and 7% in corporate preferred stocks and (ii) the $581 million of cash in Cohen & Steers Select Utility Fund has been invested based on the following portfolio composition: 78% in utility common stocks, 12% in real estate preferred stocks and 10% in corporate preferred stocks. Cohen & Steers REIT & Utility Income Fund and Cohen & Steers Select Utility Fund

are funds which commenced operations during 2004 and as of March 31, 2004 had not yet fully invested their assets in accordance with these funds's stated policies.

As of March 31, 2004 , approximately 49% of our assets under management was in closed-end mutual funds. For the three months ended March 31, 2004, 45% of our investment advisory and administration fees and 36% of Asset Management revenue were from closed-end mutual funds. Unlike open-end mutual funds, closed-end mutual funds are not subject to shareholder redemptions that can result in greater volatility in asset levels. As a result, a large proportion of our assets under management are relatively stable, providing us with similarly stable revenue under normal market conditions with respect to that part of our current business. Beginning in 2006 and continuing through 2012, certain investment advisory fee waivers on five of our closed-end mutual funds are scheduled to begin to expire, subject to approval by the fund's board of directors. We expect the expiration of these fee waivers to result in higher revenue, assuming constant asset levels.

Subsequent to March 31, 2004, the stock and bond markets have declined amid concerns that the Federal Reserve would raise interest rates in response to an increase in payroll employment and other economic indicators suggesting a growing U.S. economy. In particular, REIT stock prices declined by approximately 15%. As a result, our assets under management decreased to $13.5 billion on April 30, 2004 from $15.5 billion on March 31, 2004.

Our Investment Process

Our investment process is based on fundamental portfolio and company research. Our investment committees and portfolio managers formulate investment strategies that take into account the economy, industry fundamentals and the valuation landscape for each portfolio strategy. A dedicated investment committee oversees the portfolio manager and research team responsible for each of our portfolio strategies. Mr. Cohen, Mr. Steers and Mr. Harvey head our investment committees . Our seven portfolio managers have an average of 17 years experience as portfolio managers or analysts.

Our research analysts, each of whom is a specialist in certain industry sectors, have an average of eight years of research experience. Each analyst must subject the companies that he or she covers to a rigorous fundamental analysis. Our research analysts focus on a company's management, business plan, balance sheet, industry segment and corporate governance. We also require our research analysts to spend a significant amount of time interacting with and visiting company management, as well as talking to competitors, vendors, analysts and other industry participants. Investment performance is a primary determinant of incentive compensation for our investment professionals.

We have developed in-house valuation models that are unique to each of our four portfolio strategies. These models use valuation methodologies that have proven, through both back-testing and actual results, to be highly effective in identifying the relative value. We use our valuation models daily for portfolio construction and to manage portfolios with the strict discipline to which we adhere.

While the investment process described above generally applies to each of our portfolio strategies , each such strategy also requires a distinct focus.

Real Estate Securities. Following is a description of our four primary real estate securities portfolio strategies: total return, equity income, special equity and REIT preferred.

- *Total Return* is a strategy for investing primarily in REITs that utilizes a “growth at a reasonable price” approach, with the objective of maximizing total return by balancing capital appreciation and current income for the investor . The Total Return strategy includes investments in all major property sectors, such as office, industrial, retail and multi-family residential, while opportunistically investing in other sectors such as hotel. The Total Return portfolios typically have 30 to 40 holdings.

- *Equity Income* is a strategy for investing in REITs that utilizes a value oriented approach, with a primary objective of providing above average current income for the investor . The Equity Income strategy includes investments in the major property sectors, opportunistically investing in other sectors, and may have an allocation of up to 15% in REIT preferred stocks. The Equity Income portfolios typically hold 40 to 50 common stocks and 10 to 20 preferred stocks.

- *Special Equity* is a highly focused, quantitative strategy for investing in REITs and real estate companies that is driven by a proprietary valuation and portfolio construction model, and has a primary objective of maximizing capital appreciation for the investor . The Special Equity strategy includes investments among property sectors, geographic regions and individual companies, and typically has 20 to 25 holdings.

- *REIT Preferred* portfolios generate high current income through a value oriented approach that focuses on the credit quality and relative value of the securities in which it invests . The REIT Preferred strategy is well diversified across property sectors.

Utility Common Stocks. Our utility investment process is based on a bottom-up fundamental analysis of each individual company. Critical to the analysis is an assessment of state and federal regulatory and political trends, which influence the rate making process in the industry. Common stocks are evaluated for their potential to provide secure current dividend income and capital appreciation .. We review each company's potential for success in light of general economic industry and regulatory trends, as well as a company's current or forecasted financial condition, business plan, industry and sector market position, dividend payout ratio, quality of management and corporate governance. Our value oriented approach emphasizes relative price/cash flow and price/earnings multiples, dividend yield and earnings and dividend growth rates.

Corporate Preferred Stocks . Our preferred investment process combines a top-down and bottom-up fundamental methodology. We construct an overall investment strategy based on macroeconomic, industry and regulatory trends, but then evaluate an individual company's credit quality, management, profitability, and other company specific factors. Since corporate preferred stock is often issued by large, structurally complex organizations and most frequently represents subordinated capital positions, our analysis places great weight on a stock's standing within the capital and corporate structure .. Our proprietary “fair value” credit curve model, which values over 1,300 securities, is utilized to identify relative value.

Our Historical Investment Performance

Our investment process and the experience of our investment team have helped us to establish a long track record of delivering attractive returns for our clients . The following table presents the performance of our primary portfolio strategies, which comprised 98% of our assets under management over the periods presented since the inception date of each strategy and compares this performance to the return of the benchmark and the S&P 500 Index over the same periods. We believe this presentation allows you to evaluate our ability to manage client assets over long periods of time.

Investment Performance
Inception through March 31 , 2004

		Annualized Excess Return (2) vs.	
Strategy (Inception Date)	**Total Return(1) (Annualized)**	**Benchmark***	**S&P 500 Index**
Total Return (3/85)	13.0%	1.1%	0.1%
Equity Income (8/88)	14.1%	1.9%	2.0%
Equity Income with Leverage (7/01)	24.8%	5.4%	26.2 %
Special Equity (6/97)	13.6%	2.3%	8.4%
REIT Preferred Stocks (8/96)	14.8%	4.1%	5.6%

(1) Returns since inception before deduction of investment advisory fees and other expenses. Investment advisory fees and other expenses reduce returns to our clients. Calculated by computing the weighted average performance for all of our accounts that have the same objective and strategy. Past performance is not a guarantee of future performance.

(2) Represents the average annual amount for the stated period that the strategy's returns exceeded the returns for the benchmark and S&P 500 Index.

* NAREIT Equity REIT Index; and for REIT Preferred Stocks, Morgan Stanley REIT Preferred Index.

Our Distribution Network

Our distribution network encompasses the major channels in the asset management industry , including large brokerage firms, RIAs and institutional investors. We are a leading sponsor in the market for closed-end mutual funds, and our open-end mutual funds are available for purchase through the major broker-dealers, the significant networks serving financial advisors and the no-load investment community, and certain “wrap fee” platforms. These distribution channels include Merrill Lynch & Co., Charles Schwab & Co., Inc., Fidelity Global Brokerage Group, Inc., UBS, Wachovia, A.G. Edwards & Sons, Inc., Raymond James Financial Services, Inc. and Smith Barney. We provide advisory and administration services to four open-end and seven closed-end mutual funds under the Cohen & Steers brand name, which collectively have over 375,000 individual investors. Our institutional separate account relationships extend to institutions such as pension and endowment funds and insurance companies, and to high net worth individuals. In addition, we provide sub-advisory services in the variable annuity channel and to several products that are distributed outside of the United States, including Canada and Japan.

Our marketing department is organized by the following distribution channels: broker-dealers, fee based advisors, and institutions.

Our broker-dealer group is comprised of external and internal wholesalers who are responsible for marketing both closed-end and load open-end mutual funds. We believe that our success with closed-end mutual funds has significantly enhanced our penetration and brand in the broker-dealer channel. We intend to capitalize on this success by expanding our wholesaler sales force and diversifying our product offerings to include new closed-end mutual funds and new load open-end mutual funds.

Our fee based advisor group services RIAs and financial planners who utilize our open-end mutual funds. These mutual funds are marketed primarily through mutual fund supermarkets such as Charles Schwab & Co., Inc., Fidelity Global Brokerage Group, Inc., and T.D. Waterhouse. For example, Cohen & Steers Realty Shares was a founding member of the Schwab Mutual Fund Marketplace. We expect to capitalize on our existing relationships we have with several of the largest mutual fund supermarkets to offer new open-end mutual fund products targeted to the fee based advisor. These mutual fund supermarkets also give us access to individual investors.

Our institutional group services institutional separate account clients for a broad range of public and corporate pension funds, endowment funds and foundations and insurance companies, among others. They also service institutional clients who may invest through our existing mutual funds, the growing 401(k) market, and variable annuities. Our institutional group also maintains relationships with key institutional consultants.

Asset Management Strategy

As a firm dedicated to creating portfolios of income producing equity securities with growth potential, we have capitalized, and we believe we are well positioned to continue to capitalize, on the increase in demand for these portfolios.

We believe that investors view income producing equities more favorably today than at any time in the last 25 years. According to the U.S. Census Bureau, the proportion of the U.S. population that is 55 years of age and older is expected to increase from less than 22% in 2003 to nearly 29% by 2020. In addition to this demographic trend, tax incentives should continue to stimulate savings. The projected incremental new flows to 401(k)s and IRA accounts are expected, according to Cerulli Associates, to increase from a combined amount of $8 billion in 2003 to approximately $28 billion in 2007. As the U.S. population ages and investment savings continue to increase, we believe individuals will reallocate assets in their investment accounts in a manner that reduces volatility and produces higher levels of current income. We believe this change will also be true for many institutional investors, such as pension and endowment funds that are seeking higher yielding, lower volatility investments to meet their investment objectives.

Additionally, recently enacted federal tax legislation has removed the long held advantage that long-term capital gains have held over corporate dividends, furthering demand for dividend income. For the first time in recent history, both dividend income and long-term capital gains may now be taxed equally at a 15% federal rate. We believe the volatility the stock market has experienced, combined with the low inflation and low interest rate environment that has prevailed for several years, has encouraged investors to seek a higher proportion of long-term total returns from current income. Accordingly, we believe U.S. investors will continue to seek out current income opportunities. We expect mutual funds to be a primary vehicle for this investment. As evidence of this trend, the Investment Company Institute 2003 Mutual Fund Fact Book estimates that the percentage of U.S. households owning mutual funds increased from 27% in 1992 to 50% in 2002.

Our business strategy includes the following key elements:

- *Capitalize on the Cohen & Steers Brand.* As the nation's largest manager of real estate mutual funds, a leading sponsor of closed-end mutual funds and as a result of our strong historical investment performance, we have developed a recognized brand name that has enabled us to expand our product offerings to include corporate preferred securities and utility common stocks. We believe that becoming a public company, along with our planned increases in marketing, product offerings, distribution and targeted advertising, will further strengthen our brand and enable us to continue to increase our market share with respect to many of our existing product and service offerings. We also believe we can leverage this brand awareness to offer new products and services that complement our existing offerings.

- *Diversify Product Offerings.* We have diversified our business beyond our historical strength in real estate securities to include corporate preferred stocks and utility common stocks and have raised $2.4 billion in assets in these areas since 2003 . We intend to continue to expand our offerings in these security types, as well as in other high dividend yielding common stocks, by developing new proprietary open-end and closed-end mutual funds, sub-advising other firms' investment products and by offering our expertise to institutional investors.

- *Expand Wholesaling Sales Force.* We have built relationships with the major national and regional brokerage firms and have experienced success marketing and raising assets in our open-end and closed-end mutual funds. We believe these relationships will help us continue to attract assets as we launch new open-end mutual funds and, in order to further leverage these relationships, our near term plan includes adding several wholesalers to facilitate our mutual fund expansion.

- *Pursue New Areas of Distribution.* We plan to further penetrate several distribution areas, such as the international and the RIA markets. While we believe we have a strong presence in the RIA channel, the launch of new open-end mutual funds should enable us to penetrate this market further. Fund supermarkets such as Charles Schwab & Co., Inc. and Fidelity Global Brokerage Group, Inc., where we are already well recognized, provide an established platform for us to offer our new products on a "load waived" basis for advisors. The international arena also offers a significant opportunity to manage money for non-U.S. investors in Europe and Asia through both locally marketed collective investment vehicles and direct relationships with large institutions.

- *Pursue Acquisitions.* We selectively consider strategic acquisitions of asset management operating companies, either for cash or stock. This strategy may include "lift-outs" of teams of professionals from other asset management organizations, which may require nominal cash consideration. Our objectives include adding complementary asset management expertise to our business that provides additional growth opportunities and leverages our existing capabilities.

Investment Banking

As a complement to Asset Management , and to capitalize on our extensive expertise in public real estate securities and companies, in 1999 we established a highly specialized investment banking practice that services companies in real estate and real estate intensive businesses, such as the health care and hospitality businesses.

We have assembled a highly experienced team of investment banking professionals with a long-standing transactional track record in the real estate and health care industries. Since 1999, we have completed over 44 transactions representing over $5 billion in value. Our professionals have developed long-standing relationships with many companies and have established a strong presence in our targeted market. As a result, we believe we are well positioned to take advantage of new advisory opportunities.

Our investment banking business strategy focuses on providing a full range of services to a focused universe of companies in select real estate intensive businesses, including the following areas:

Mergers & Acquisitions—We provide a full range of merger and acquisition advisory services involving the purchase or sale of public or private companies or their business units through a combination of broad auctions or highly targeted negotiations. We also facilitate leveraged buyouts