COHEN & STEERS INC
Form S-1/A
August 11, 2004

As filed with the Securities and Exchange Commission on August 11, 2004.

Registration No. 333-114027

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5
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.)

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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. £

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. £

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. £

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. £

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

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.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated August 11, 2004

PROSPECTUS

7,500,000 Shares
Cohen & Steers, Inc.
Common Stock

This is Cohen & Steers, Inc.'s initial public offering. Cohen & Steers, Inc. is selling all of the shares.

We expect the public offering price to be between $13.00 and $15.00 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 20 of this prospectus.

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

The underwriters may also purchase up to 1,125,000 additional shares from us 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 have been adjusted to reflect a 291.351127 for one stock split that we effected on June 16, 2004.

Unless indicated otherwise, the information included in this prospectus assumes no exercise by the underwriters of the overallotment option to purchase up to 1,125,000 additional shares from us and that the shares to be sold in this offering are sold at $14.00 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 currently manage twelve mutual funds and, based on fund assets, we are the nation's largest manager of real estate mutual funds. However, we are considered to be a small-sized investment advisory firm within the broader asset management industry. We have historically specialized in managing portfolios of real estate securities, and such securities represented 92% of the assets we managed as of December 31, 2003 and 81% of the assets we managed as of July 31, 2004. Since 2003 we have diversified our business, and we currently focus on managing portfolios of the following types of securities:

- common and preferred stocks of real estate investment trusts. A real estate investment trust, or REIT, is a company that engages primarily in the ownership of income producing real estate and is required to pay out substantially all of its net income in the form of dividends;
- corporate preferred stocks, which we began to manage in 2003; and
- common and preferred stocks of utilities, which we began to manage in 2004.

As a complement to our asset management business, we also provide investment banking services to companies in real estate and real estate intensive businesses.

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.

We operate in two distinct business segments:

- *Asset Management.* Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from mutual funds and investment advisory fees received from institutional separate accounts. These fees are based on contractually specified percentages of the assets of each client's portfolio. Asset Management's revenue fluctuates with changes in the total value of the portfolios and is recognized over the period that the assets are managed.
- *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, operating expenses and net income for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

Summary Income Statement Data

	Year Ended December 31,	Three Months Ended March 31,

	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue					
Asset Management	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Investment Banking	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	$ 23,598	$ 37,633	$ 50,510	$ 10,843	$ 14,278
Investment Banking	4,891	8,964	7,959	1,100	2,992
Consolidated Operating Expenses	$ 28,489	$ 46,597	$ 58,469	$ 11,943	$ 17,270
Net Income					
Asset Management	$ 8,374	$ 4,656	$ 8,847	$ (115)	$ 7,955
Investment Banking	(1,770)	3,780	3,204	—	1,376
Consolidated Net Income (Loss)	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331

We have historically operated as an S corporation and were not subject to U.S. federal and certain state income taxes. Prior to completion of this offering we will become subject to the additional taxes applicable to C corporations.

IPO Date Grant of Fully Vested Restricted Stock Units—Significant Loss for the Third Quarter of 2004 and Future Amortization Expense

Assuming an initial public offering price of $14.00 per share, which is the midpoint of the range indicated on the front cover of this prospectus, we expect to grant fully vested restricted stock units with an aggregate value of $68.9 million to 15 management level employees at the time of this offering. Joseph M. Harvey, our president, will receive the largest allocation of restricted stock units, which will have a value of $14.6 million based on an assumed initial public offering price of $14.00 per share. If the initial public offering price per share is higher than $14.00, however, the aggregate value of the fully vested restricted stock units that we grant will be greater.

As a result of the grant of these fully vested restricted stock units, we expect to record a significant non-cash compensation expense during the third quarter of 2004 and an intangible asset on our statement of financial condition with respect to the independently determined value of the agreements we will receive from each of these management level employees not to compete with us prior to February 2008. The total amount of the non-cash compensation expense and of the intangible asset will equal the value of the fully vested restricted stock units granted based on the initial public offering price of the underlying common stock ($68.9 million assuming an initial public offering price of $14.00 per share), as adjusted for $2.4 million of cumulative compensation cost recorded on our existing Stock Appreciation Rights Plan, which we will terminate at that time. Accordingly, assuming an initial public offering price per share of $14.00, the total amount of the non-cash compensation expense and of the intangible asset will be $66.5 million. We have not yet determined the amount of the intangible asset but it could be a substantial portion of the $66.5 million.

As a result of this non-cash compensation expense, we expect that our operating expenses for the quarter ending September 30, 2004 and for this fiscal year will be significantly higher than in prior periods and that we will record a substantial net loss for this quarter and may record a net loss for this fiscal year. Moreover, we will amortize the intangible asset over the period of the non-competition covenants, which will result in a non-cash amortization expense in these future periods, thereby reducing our earnings in those periods.

Asset Management

As of July 31, 2004, we managed $15.1 billion in assets in the following types of accounts:

- $7.7 billion in seven closed-end investment companies ("*closed-end mutual funds*"). Closed-end mutual funds sell a finite number of shares to investors who then trade these shares on a stock exchange. Investors buy shares from, and sell shares to, other investors through the exchange and the price per share is determined by supply and demand. Accordingly, the closed-end mutual fund assets that we manage generally vary due to the market appreciation or depreciation of the securities held in the portfolio;

- $4.1 billion in five *open-end mutual funds*. Open-end mutual funds are continually offered and are not listed on a stock exchange. Open-end mutual funds issue new shares for investor purchases and repurchase shares from those shareholders who sell. The share price for purchases and repurchases of open-end mutual funds is determined by each fund's net asset value, which is calculated at the end of each fund business day. The open-end mutual fund assets that we manage vary with both market appreciation and depreciation and the level of new purchases of or withdrawals from a fund; and

- $3.3 billion in 40 *institutional separate accounts*. 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. The institutional separate account assets that we manage vary primarily with market appreciation and depreciation. Flows into and out of such accounts also affect institutional separate account assets, although to a lesser extent than with open-end mutual fund assets because such activity occurs less frequently.

The assets that we manage have increased greatly from $6.6 billion since the beginning of 2003 due to the launch of three closed-end mutual funds, a strong market for REIT securities and positive net flows into open-end mutual funds. Historical rates of growth in the assets that we manage are not necessarily indicative of future results, however, and the level of growth we have experienced since 2003 may not be sustainable in the future due to changing market conditions. For example, the market conditions for public offerings of the shares of closed-end mutual funds may not be as favorable in the future and the market for REIT securities could weaken. In addition to our investment advisory services, Asset Management provided portfolio consulting services for $1.4 billion in assets as of July 31, 2004, which we do not include in the assets we manage. As portfolio consultant, we provide services in connection with investment products distributed by third parties that contain relatively static portfolios of securities.

The stock and bond markets were volatile in the second quarter of 2004 amid concerns that the Federal Reserve would raise interest rates in response to economic data that indicate strong growth in the U.S. economy. In particular, real estate stock prices declined by approximately 5.8% during the second quarter of 2004, including a decline of approximately 14.6% in April 2004 as investors may have viewed real estate securities less favorably in a rising interest rate environment where the returns on less risky investments become relatively more attractive. As a result, the real estate securities that we manage decreased to $12.1 billion as of June 30, 2004 from $12.6 billion as of March 31, 2004 and the total assets that we manage decreased to $15.0 billion as of June 30, 2004 from $15.5 billion as of March 31, 2004. For this reason, and because of the increased volatility in the capital markets which results from a changing interest rate environment, rising interest rates could also negatively affect net flows into open-end mutual funds and institutional separate accounts and our ability to offer new closed-end mutual funds. A decline in the assets we manage will negatively affect our revenue and net income.

Pursuant to investment advisory agreements, we furnish a continuous investment program for each of the mutual funds for which we act as investment advisor, make day-to-day investment decisions for each fund, and manage each fund's investments in accordance with the fund's stated policies. In addition, pursuant to the investment advisory agreements, and subject to the approval of each fund's board of directors, we provide our executive and other officers to serve as officers of the fund. Mr. Steers serves as chairman and Mr. Cohen serves as a director on the board of directors of each fund. The Securities and Exchange Commission has recently adopted new rules requiring that at least 75% of a mutual fund's directors, including the chairperson of the board of directors, be independent of the mutual fund's investment advisor and that the independent directors hold quarterly meetings without fund executives. The Securities and Exchange Commission has also adopted new rules that will require mutual fund shareholder reports to discuss, in reasonable detail, the material factors and conclusions that formed the basis for the approval by a mutual fund's board of directors of any investment advisory agreement, including the fees payable under the agreement. Asset Management's continued receipt of revenue is, accordingly, subject to the risk that mutual fund boards of directors may determine not to renew investment advisory and administration agreements with us or that they may renew such agreements at lower fee rates than are then in effect. All of the mutual funds for which we are the investment advisor are funds that we established and are marketed under the Cohen & Steers name. The mutual funds that we manage are:

Closed-end Mutual Funds

- Cohen & Steers Total Return Realty Fund, Inc.
- Cohen & Steers Advantage Income Realty Fund, Inc.
- Cohen & Steers Quality Income Realty Fund, Inc.
- Cohen & Steers Premium Income Realty Fund, Inc.
- Cohen & Steers REIT and Preferred Income Fund, Inc.
- Cohen & Steers REIT and Utility Income Fund, Inc.
- Cohen & Steers Select Utility Fund, Inc.

Open-end Mutual Funds

- Cohen & Steers Realty Shares, Inc.
- Cohen & Steers Special Equity Fund, Inc.
- Cohen & Steers Equity Income Fund, Inc.
- Cohen & Steers Institutional Realty Shares, Inc.
- Cohen & Steers Utility Fund, Inc.

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

Investment Advisory and Administration Fees

	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%

For the three months ended March 31, 2004, 45% of our investment advisory and administration fees and 39% of Asset Management's revenue were from closed-end mutual funds and, as of July 31, 2004, 51% of the assets we managed was in 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 the assets we manage is relatively stable, providing us with similarly stable revenue under normal market conditions with respect to that part of our current business.

While there are reductions in fees for those open-end mutual funds that achieve a certain size and for large institutional separate accounts, Asset Management's profitability tends to increase as it manages more assets. Although each new open-end mutual fund must reach a certain size to become profitable, the incremental revenue associated with additional assets managed tends to exceed the incremental costs associated with managing these assets.

Agreements to Waive Investment Advisory Fees and Bear Expenses

We reduce the expenses of eight of the twelve mutual funds for which we are the investment advisor by waiving investment advisory fees (which reduces our revenue by an amount equal to the fees waived) or bearing expenses (which increases our expenses by an amount equal to the expenses borne) otherwise payable by these funds. We have contractually agreed with:

- five of the seven closed-end mutual funds for which we are the investment advisor to waive up to 49% of our investment advisory fees for up to 10 years following the commencement of the fund's operations;
- two of the five open-end mutual funds for which we are the investment advisor to waive our investment advisory fees and/or reimburse the open-end mutual funds so that their expenses do not exceed between 1.15% and 2.15% of their net assets; and
- a third open-end mutual fund, Cohen & Steers Institutional Realty Shares, Inc., to bear all of this fund's operating expenses.

The following table discloses the aggregate investment advisory fees waived and expenses borne for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

Investment Advisory Fees Waived/Expenses Borne

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Closed-end mutual fund investment advisory fees waived	$ 1,078	$ 4,660	$ 7,170	$ 1,542	$ 2,620
Open-end mutual fund investment advisory fees waived/ expenses borne	856	846	1,040	235	325
	$ 1,934	$ 5,506	$ 8,210	$ 1,777	$ 2,945

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When we waive investment advisory fees or bear expenses otherwise payable by a mutual fund, this provides a direct benefit to the mutual fund investors by lowering the expenses associated with investing in the fund and improving the fund's investment performance. These agreements to waive fees and bear expenses reduce our revenue and increase our expenses, and thereby reduce our operating income, by an amount equal to the fees waived or expenses borne. We agree to waive investment advisory fees and bear expenses payable by a mutual fund because we believe this enhances the sales effort for the fund and thereby increases the assets that we manage.

Although the agreements we have with closed-end mutual funds to waive investment advisory fees otherwise payable by the funds specify that they are to begin to expire in 2006 and continuing through 2012, this would reduce the investment performance of the funds and may not occur. Each of our investment advisory agreements with a mutual fund, including the fees payable under the agreement, is subject, following the initial two year term, to annual approval by the mutual fund's board of directors, including at least a majority of the independent directors. These directors have a fiduciary duty to the mutual fund shareholders. Moreover, as discussed above, the Securities and Exchange Commission has recently adopted new rules enhancing the independence of mutual fund boards of directors and requiring detailed disclosure in mutual fund shareholder reports regarding the material factors and conclusions that formed the basis for the approval by a mutual fund's board of directors of any investment advisory agreement, including the fees payable under the agreement. Mutual fund boards of directors may determine not to renew investment advisory and administration agreements with us or they may not allow our agreements to waive fees to expire. In addition, open-end mutual fund shareholders may withdraw their assets at any time. See “Related Party Transactions—Agreements to Waive Investment Advisory Fees and Bear Expenses.”

Assets Managed

The assets we manage have increased at a compound annual rate of growth of 35%, to $15.1 billion at July 31, 2004 from $3.8 billion at December 31, 1999, although this was a decline from $15.5 billion at March 31, 2004. Of the $11.3 billion increase in the assets we managed from December 31, 1999 to July 31, 2004, 62% was attributable to net flows and 38% was attributable to net appreciation. Much of this growth was in 2003 and the first quarter of 2004. Changes in the assets we manage can come from two sources—market appreciation (or depreciation) and inflows (or outflows). Market appreciation increases the assets we manage because the share prices of the existing securities we are managing increase. Conversely, the assets we manage decrease as security prices decline. We refer to the net effect of market appreciation and depreciation of the assets that we manage over a period as net appreciation (or net depreciation). Closed-end mutual fund offerings and inflows into open-end mutual funds and institutional separate accounts have the effect of increasing the assets we manage as existing or new clients provide us with more money to manage. Conversely, outflows from open-end mutual funds or institutional separate accounts decrease the assets we manage. We refer to the net effect of inflows and outflows on the assets that we manage over a period as net flows.

Much of this recent growth in the assets we manage can be attributed to our presence in the real estate securities market. REIT securities have experienced strong market appreciation over the past several years and have gained a wider acceptance by individual and institutional investors as an asset class based on their diversification benefits, income characteristics and growth potential. In addition, we have launched six of the seven closed-end mutual funds that we manage since May 2001, including two such funds which started in 2004 with aggregate initial assets of $2.9 billion. We have also added to the assets we manage through net sales of shares of open-end mutual funds, one of which was started in 2000 and one of which was started in 2004.

The following tables set forth a breakdown of the changes in the total assets we managed since 1999 attributable to net flows and net appreciation and a breakdown of the total assets we managed by account and security type as of the dates shown, and the compound annual growth rates (CAGR) for the assets we managed since December 31, 1999.

Component Changes in Assets Managed

	Year Ended December 31, 1999	2000	2001	2002	2003	Three Months Ended March 31, 2004	Three Months Ended June 30, 2004	One Month Ended July 31, 2004
	($ in millions)							
Beginning assets managed	$ 3,991.4	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0
Net flows	(260.1)	9.5	647.3	817.7	2,629.4	2,639.1	316.4	7.5
Net appreciation (depreciation)	30.8	986.9	291.7	108.6	2,426.9	1,220.1	(875.7)	101.6
Ending assets managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0	$ 15,089.1

Assets Managed

	December 31, 1999	2000	2001	2002	2003	% as of December 31, 2003	March 31, 2004	June 30, 2004	July 31, 2004	% as of July 31, 2004	December 31, 1999 to July 31, 2004 CAGR
	($ in millions)										
Assets Managed by Account Type											
Closed-end Mutual Funds	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6	41.0%	$ 7,664.5	$ 7,670.5	$ 7,670.9	50.8%	158.9%
Open-end Mutual Funds	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	33.4%	4,514.0	4,029.3	4,071.5	27.0%	23.1%
Institutional Separate Accounts	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	25.6%	3,360.8	3,280.2	3,346.7	22.2%	10.8%
Total Assets Managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	100%	$ 15,539.3	$ 14,980.0	$ 15,089.1	100%	35.4%
Assets Managed by Security Type											
Real Estate Common Stocks	$ 3,606.1	$ 4,536.0	$ 5,259.4	$ 5,908.9	$ 9,892.6	84.7%	$ 11,605.5	$ 10,992.7	$ 11,066.3	73.3%	27.7%
Utility Common Stocks	—	—	—	—	—	—	959.4	1,616.0	1,614.9	10.7%	n/a
Real Estate Preferred Stocks	32.4	55.7	266.6	597.1	836.0	7.1%	996.9	1,112.3	1,179.6	7.8%	119.1%
Corporate Preferred Stocks (1)	—	—	—	—	683.9	5.8%	786.6	866.7	883.0	5.9%	n/a
Fixed Income (2)	2.3	2.5	6.2	13.5	109.1	1.0%	97.4	137.3	136.9	0.9%	143.9%
Cash and Short-Term Investments	121.3	164.3	165.3	104.3	158.5	1.4%	1,093.5	255.0	208.4	1.4%	n/m
Total Assets Managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	100%	$ 15,539.3	$ 14,980.0	$ 15,089.1	100%	35.4%

(1) 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.

(2) Includes corporate bonds.

Our Investment Strategies

Each of the 12 mutual funds and 40 institutional separate accounts that we manage adhere to one of our five investment strategies:

Strategy	Accounts
Total Return	
• Strategy for investing mainly in REITs and/or utilities with the objective of increasing total return by balancing capital appreciation and current income for the investor	Cohen & Steers Realty Shares, Inc. Cohen & Steers Institutional Realty Shares, Inc. Cohen & Steers Utility Fund, Inc. Cohen & Steers Total Return Realty Fund, Inc. 18 institutional separate accounts
Equity Income	
• Strategy for investing mainly in REITs and/or utilities with the primary objective of providing above average current income for the investor	Cohen & Steers Equity Income Fund, Inc. 19 institutional separate accounts
Total Return and Equity Income with Leverage	
• Same as *Total Return* and *Equity Income*, but includes capital raised from borrowing money or the issuance of debt or preferred stocks	Cohen & Steers Advantage Income Realty Fund, Inc. Cohen & Steers Quality Income Realty Fund, Inc. Cohen & Steers Premium Income Realty Fund, Inc. Cohen & Steers REIT and Utility Income Fund, Inc. Cohen & Steers Select Utility Fund, Inc. Cohen & Steers REIT and Preferred Income Fund, Inc.
Special Equity	
• Strategy for investing mainly in REITs with the objective of maximizing capital appreciation for the investor	Cohen & Steers Special Equity Fund, Inc. 2 institutional separate accounts
REIT Preferred Stocks	
• Strategy for investing in REIT preferred stocks with the objective of high current income for the investor	1 institutional separate account

Our Historical Investment Performance

The following table presents the average annualized performance, net of all expenses borne by mutual fund shareholders or institutional separate account clients but not fees waived or expenses borne by us, of each of the mutual funds for which we are the investment advisor and of institutional separate accounts in the aggregate for each strategy for which we have at least one continuous year of institutional separate account investment activity for the one, five and ten year periods ended July 31, 2004 and for the period from the inception date to July 31, 2004. The past investment performance of the mutual funds and institutional separate accounts for which we are the investment advisor is no guarantee of future performance, and each of these mutual funds and institutional separate accounts has experienced negative performance over various time periods in the past and may do so again in the future. The past investment performance for certain of these mutual funds would have been lower if we had not waived fees or borne expenses otherwise payable by these mutual funds. The following table also presents the returns of the National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index, Morgan Stanley

REIT Preferred Index, the Dow Jones Wilshire Real Estate Securities Index and the S&P 500 Index over the same periods. We use the NAREIT Equity REIT Index, the Dow Jones Wilshire Real Estate Securities Index and the S&P 500 Index as benchmarks for the mutual funds and institutional separate accounts that adhere to our Total Return, Equity Income, Total Return and Equity Income with Leverage and Special Equity investment strategies, and we use the Morgan Stanley REIT Preferred Index as a benchmark for our REIT Preferred Stocks investment strategy.

Investment Performance Through July 31, 2004

Mutual Fund (Inception Date)	**1 Year**	**5 Years**	**10 Years**	**Since Inception(1)**
Total Return				
Cohen & Steers Realty Shares, Inc. (7/91)	24.77%	15.54%	12.72%	13.79%
Cohen & Steers Total Return Realty Fund, Inc. (6/93)	19.20%	15.34%	12.26%	11.52%
Cohen & Steers Institutional Realty Shares, Inc. (2/00)	24.81%(2)	—	—	18.49%(2)
Cohen & Steers Utility Fund, Inc., Class A Shares (4/04)	—	—	—	6.54%(3)
Equity Income				
Cohen & Steers Equity Income Fund, Inc., Class A Shares (7/97)	19.49%	15.38%	—	10.93%
Total Return and Equity Income with Leverage				
Cohen & Steers Advantage Income Realty Fund, Inc. (5/01)	26.68%(4)	—	—	19.41%(4)
Cohen & Steers Quality Income Realty Fund, Inc. (2/02)	25.54%(5)	—	—	19.52%(5)
Cohen & Steers Premium Income Realty Fund, Inc. (8/02)	27.67%(6)	—	—	26.10%(6)
Cohen & Steers REIT and Preferred Income Fund, Inc. (6/03)	17.45%	—	—	16.87%
Cohen & Steers REIT and Utility Income Fund, Inc. (1/04)	—	—	—	–2.02%(7)
Cohen & Steers Select Utility Fund, Inc. (3/04)	—	—	—	1.12%(8)
Special Equity				
Cohen & Steers Special Equity Fund, Inc. (5/97)	29.36%(9)	18.40%(9)	—	12.23%(9)
Institutional Separate Accounts by Strategy (Inception Date)				
Total Return Institutional Separate Accounts (1/88)	25.13%	16.25%	13.29%	12.57%
Equity Income Institutional Separate Accounts (7/98)	18.47%	15.67%	—	11.78%
Benchmark				
NAREIT Equity REIT Index (10)	21.00%	15.32%	12.16%	
Morgan Stanley REIT Preferred Index (11)	7.22%	11.08%	10.29%	
Dow Jones Wilshire Real Estate Securities Index (12)	22.85%	15.54%	12.32%	
S&P 500 Index (13)	13.17%	–2.24%	11.09%	

(1) Performance information for periods of less than one year represents actual performance and is not annualized.

(2) We bear all of the expenses of Cohen & Steers Institutional Realty Shares. If we had not borne these expenses, this fund's return would have been lower by approximately 0.13% for the last 12 months and 0.15% on an annualized basis since inception.

(3) We currently bear expenses for Cohen & Steers Utility Fund. If we had not borne these expenses, this fund's total return would have been lower. Because this fund commenced operations so recently, we cannot accurately estimate how much lower the return would have been.

(4) We currently waive a portion of the investment advisory fee for Cohen & Steers Advantage Income Realty Fund. If these fees had not been waived, this fund's total return would have been approximately 0.60% lower on an annualized basis.

(5) We currently waive a portion of the investment advisory fee for Cohen & Steers Quality Income Realty Fund. If these fees had not been waived, this fund's total return would have been approximately 0.48% lower on an annualized basis.

(6) We currently waive a portion of the investment advisory fee for Cohen & Steers Premium Income Realty Fund. If these fees had not been waived, this fund's total return would have been approximately 0.38% lower on an annualized basis.

(7) We currently waive a portion of the investment advisory fee for Cohen & Steers REIT and Utility Income Fund. If these fees had not been waived, this fund's total return would have been approximately 0.10% lower.

(8) We currently waive a portion of the investment advisory fee for Cohen & Steers Select Utility Fund. If these fees had not been waived, this fund's total return would have been approximately 0.07% lower.

(9) We currently bear expenses for Cohen & Steers Special Equity Fund. If we had not borne these expenses, this fund's total return would have been lower by approximately 0.49% for the last 12 months, 0.21% on an annualized basis for the last five years and 0.15% on an annualized basis since inception.

(10) The NAREIT Equity REIT Index is an unmanaged, market-capitalization-weighted index of all publicly traded REITs that invest predominantly in the equity ownership of real estate. The index is designed to reflect the performance of all publicly traded equity REITs as a whole.

(11) The Morgan Stanley REIT Preferred Index is an unmanaged index that is designed to reflect the performance of all publicly traded REIT preferred stocks as a whole.

(12) The Dow Jones Wilshire Real Estate Securities Index is an unmanaged index that is a broad measure of publicly traded real estate securities, such as REITs and real estate operating companies.

(13) The S&P 500 Index is an unmanaged index of common stocks that is frequently used as a general measure of stock market performance.

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 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, 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. Since 2001, we have advised clients in nine merger and acquisition transactions representing over $597 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. Since 2001, we have advised clients in three restructuring assignments encompassing 15 transactions representing over $3.1 billion in value.

Capital Raising—We provide capital raising services as agent, and, since 2001, we have completed 16 transactions which raised over $881 million, primarily SEC-registered direct placements of equity and preferred securities.

The following table provides a breakdown of Investment Banking's revenue by service area for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

Investment Banking Revenue

	Year Ended December 31,			Three Months Ended March 31,	
	2001	**2002**	**2003**	**2003**	**2004**
	($ in thousands)				
Revenue					
Mergers & Acquisitions	$ 505	$ 2,067	$ 2,477	$ 587	$ 50
Restructurings	1,891	9,337	4,925	308	—
Capital Raising	457	1,673	3,877	83	4,413
Investment Banking Revenue	$ 2,853	$ 13,077	$ 11,279	$ 978	$ 4,463

Each Investment Banking engagement for which a fee is earned is generally highly profitable. However, only a limited proportion of Investment Banking engagements result in a completed transaction for which a fee is earned and, accordingly, the employees of Investment Banking spend significant amounts of time on transactions that are not completed and for which no fee will be earned. As a result, the revenue and profitability of Investment Banking can be very volatile. For example, Investment Banking had net income of $3.2 million on $11.3 million of revenue in 2003, a 13.7% decrease in revenue and a 15.2% decrease in net income as compared to net income of $3.8 million on $13.1

million of revenue in 2002.

Of the 21 clients from which Investment Banking has generated revenue since it was established in 1999, four are companies in which Asset Management has invested client assets. Investment Banking assisted these companies in raising capital by finding investors willing to invest in these companies' securities and generated revenue of:

- $0.3 million (or 2% of Investment Banking revenue) in 2002,
- $3.6 million (or 32% of Investment Banking revenue) in 2003, and
- $3.8 million (or 85% of Investment Banking revenue) in the three months ended March 31, 2004.

Investment Banking did not generate any revenue from these clients in 2001 or the three months ended March 31, 2003. Of the total revenue generated by Investment Banking relating to these four companies, $0.5 million derived from the direct investment of client assets by Asset Management in these companies' securities.

Preliminary Results for the Second Quarter of 2004

Our results for the three months ended June 30, 2004 presented below are preliminary and are subject to quarterly review procedures and final reconciliations and adjustments.

We had total revenue of $25.6 million in the second quarter of 2004, an increase of 52% from $16.8 million in the second quarter of 2003. Revenue from Asset Management was $25.3 million in the second quarter of 2004, an increase of 107% from $12.2 million in the second quarter of 2003, and revenue from Investment Banking was $0.3 million in the second quarter of 2004, a decrease of 93% from $4.6 million in the second quarter of 2003. The increase in total revenue and revenue from Asset Management was primarily the result of a $6.3 billion net increase in the assets we managed as of June 30, 2004 compared to June 30, 2003.

We had total operating expenses of $16.7 million in the second quarter of 2004, an increase of 9% from $15.3 million in the second quarter of 2003. Asset Management operating expenses were $16.0 million in the second quarter of 2004, an increase of 28% from $12.5 million in the second quarter of 2003, and Investment Banking operating expenses were $0.7 million in the second quarter of 2004, a decrease of 75% from $2.8 million in the second quarter of 2003.

We had total net income of $8.6 million in the second quarter of 2004, a significant increase from $1.6 million in the second quarter of 2003. Asset Management had net income of $9.0 million in the second quarter of 2004, an increase from a $48 thousand loss in the second quarter of 2003, and Investment Banking had a loss of $0.4 million in the second quarter of 2004, a decrease from net income of $1.7 million in the second quarter of 2003.

We made aggregate S corporation distributions to our stockholders of $5.5 million during the second quarter of 2004.

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 $0.10 per share for the third 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	7,500,000 shares
Shares outstanding after the offering	34,200,000 shares
Use of proceeds	We estimate that our net proceeds from this offering will be approximately \$93.1 million. We intend to use these net proceeds to enhance our asset management platform by expanding our investment capabilities, launching new products, and expanding distribution, and for general corporate purposes. See “Use of Proceeds.”
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 \$0.10 per share for the third 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. We expect the initial public offering price to be within the range indicated on the front cover of this prospectus. The initial public offering price will be determined through negotiations between us and the representatives of the underwriters following a marketing period during which the underwriters will assess the demand for our common stock from potential investors. The factors to be considered in determining the initial public offering price are: • investor demand for our common stock; • prevailing market conditions, including investor demand for initial public offerings; • our historical financial information included in this prospectus; • an analysis of our earnings and the price to projected earnings multiples of publicly traded companies in the asset management and investment banking industries that the representatives believe to be comparable to us; • our history and the prospects for us and the asset management and investment banking industries in which we compete; and • an assessment of our management and management's ability to execute its business plan, our past and present operations, and the prospects for, and timing of, our future revenue. Based on an initial public offering price per share of \$14.00, which is the midpoint of the range indicated on the front cover of this prospectus, but without giving effect to the shares to be issued in this offering, the ratio of our initial public offering price per share to our pro forma earnings per share for the year ended December 31, 2003 would be 53.8 and for the three months ended March 31, 2004 would be 15.9, and the ratio of our initial public offering price per share to our pro forma book value per share as of March 31, 2004 would be 10.5. See “—Unaudited Consolidated Pro Forma Financial Information.”

Proposed New York Stock Exchange symbol	CNS

The number of shares of common stock outstanding after the offering excludes 9,500,000 shares reserved for issuance under the 2004 Stock Incentive Plan and 500,000 shares reserved for issuance under the 2004 Employee Stock Purchase Plan. Assuming an initial public offering price of $14.00 per share, we expect to grant certain employees an aggregate of 5,521,718 restricted stock units pursuant to the 2004 Stock Incentive Plan at the time of this offering. See “Management—IPO Date Restricted Stock Unit Grants.”

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 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. Prior to the 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 we expect will differ from the salaries and bonuses to be paid to our co-chief executive officers in future periods.

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)(2)	1,089	1,297	654	611	100	(24)	767
Net income (loss)(2)	$ 9,743	$ 11,638	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331
Net income (loss) per share—basic and diluted(2)(3)	$ 0.37	$ 0.44	$ 0.25	$ 0.32	$ 0.45	$ (0.00)	$ 0.35
Weighted average shares outstanding—basic and diluted(3)	26,250,737	26,250,737	26,250,737	26,475,368	26,700,000	26,700,000	26,700,000

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

(2) For all periods presented, we operated as an S corporation and were not subject to U.S. federal and certain state income taxes. Prior to the 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” for the pro forma effects on net income and earnings per share for the year ended December 31, 2003 and the three months ended March 31, 2004 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%.

(3) All per share amounts and weighted average shares outstanding have been adjusted to reflect a 291.351127 for one stock split that we effected on June 16, 2004.

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, 2004
	1999	2000	2001	2002	2003	
	($ 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 Managed

	Year Ended December 31,					Three Months Ended March 31, 2004	Three Months Ended June 30, 2004	One Month Ended July 31, 2004
	1999	2000	2001	2002	2003			
	($ in millions)							
Total accounts								
Beginning total assets managed	$ 3,991.4	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0
Net flows	(260.1)	9.5	647.3	817.7	2,629.4	2,639.1	316.4	7.5
Net appreciation (depreciation)	30.8	986.9	291.7	108.6	2,426.9	1,220.1	875.7	101.6
Ending total assets managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14.980.0	$ 15,089.1
Closed-end mutual funds								
Beginning closed-end mutual fund assets managed	$ 113.6	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6	$ 7,664.5	$ 7,670.5
Net flows	0.0	0.0	478.6	1,573.1	1,973.5	2,472.0	459.5	0.0
Net appreciation (depreciation)	(15.6)	16.2	7.9	(59.5)	702.8	401.9	(453.5)	0.4
Ending closed-end mutual fund assets managed	98.0	114.2	600.7	2,114.3	4,790.6	7,664.5	7,670.5	7,670.9
Open-end mutual funds								
Beginning open-end mutual fund assets managed	2,043.6	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0	4,029.3
Net flows	(484.8)	113.5	138.7	121.3	528.9	166.8	(231.8)	(1.1)
Net appreciation (depreciation)	12.7	392.5	98.4	16.5	915.8	450.1	(252.9)	43.3
Ending open-end mutual fund assets managed	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0	4,029.3	4,071.5
Institutional separate accounts								
Beginning institutional separate account assets managed	1,834.2	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8	3,280.2
Net flows	224.7	(104.0)	30.0	(876.7)	127.0	0.3	78.9	8.6
Net appreciation (depreciation)	33.7	578.2	185.4	151.6	808.3	368.1	(159.5)	57.9
	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8	3,280.2	3,346.7

Ending institutional separate account assets managed								
Ending total assets managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0	$ 15,089.1
Total net flows/beginning total assets managed (%)	–6.5%	0.3%	13.6%	14.4%	39.7%	22.6%	2.0%	0.1%
Total change in total assets managed (%)	–5.7%	26.5%	19.7%	16.3%	76.3%	33.0%	–3.6%	0.7%

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 additional income taxes of $5.0 million for the year ended December 31, 2003 and $3.5 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 a non-cash compensation expense and related deferred income tax asset and corresponding deferred income tax benefit and the reversal of the accrued liability for our existing Stock Appreciation Rights Plan, which we refer to as our SAR plan, resulting from the termination of the SAR plan, described in "Management—Stock Appreciation Rights Plan," and the grant of fully vested restricted stock units at the time of this offering, described in "Management—IPO Date Restricted Stock Unit Grants," as if these events had occurred on March 31, 2004;

- 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. We estimate that the actual amount of the additional net deferred tax liability and corresponding income tax expense will be approximately $0.4 million. See "Reorganization and S Corporation Status—S Corporation Status"; and

- the accrual of the $14.0 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. We estimate that the actual aggregate amount of the S corporation distributions will be approximately $24 million. See "Reorganization and S Corporation Status—S Corporation Status."

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 do not give effect to the grant of fully vested restricted stock units to certain management level employees on the date of the consummation of this offering or for the termination of our SAR plan. As a result of the grant of these fully vested restricted stock units, we expect to record a non-cash compensation expense and an intangible asset with respect to the independently determined value of the noncompetition agreements we will receive from each of these management level employees. The total amount of the non-cash compensation expense and of the intangible asset will equal the value of the fully vested restricted stock units granted based on the initial public offering price of the underlying common stock, as adjusted for cumulative compensation cost recorded on our existing SAR plan, which we will terminate at that time. Accordingly, assuming an initial public

offering price per share of $14.00, the total amount of the non-cash compensation expense and of the intangible asset will be $66.5 million. We have not yet determined the amount of the intangible asset but it could be a substantial portion of the $66.5 million.

The unaudited pro forma condensed consolidated statement of financial condition does not give effect to the non-competition agreement intangible asset associated with the grant of the fully vested restricted stock units described above. Accordingly, the amount of the non-cash compensation expense reflected in retained earnings on the unaudited pro forma condensed consolidated statement of financial condition will be reduced by the amount of the intangible asset recorded. Additionally, the unaudited pro forma condensed consolidated statement of financial condition does not give effect to the decrease in the deferred income tax asset and in retained earnings resulting from the change in the deferred income tax benefit attributable to the reduction of the non-cash compensation expense recorded.

The unaudited pro forma condensed consolidated statements of income do not give effect to any adjustment to "Employee compensation and benefits" to reflect the employment agreements with our co-chief executive officers described in "Management—Employment Agreements." Each employment agreement provides for an annual base salary of $500,000 and an annual bonus payment of at least $1 million, but no more than $5 million, as determined by the Compensation Committee, except that the bonus amount for 2004 will be limited to $1 million. For the year ended December 31, 2003, the total compensation recorded for our co-chief executive officers was $10.1 million, consisting of salary of $2.1 million and bonus of $8 million, and for the three months ended March 31, 2004, the total compensation recorded for our co-chief executive officers was $0.5 million, consisting entirely of salary.

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 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		37,193	8,980		8,980
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		58,469	17,270		17,270
Operating income	11,872		11,872	10,039		10,039
Non-operating income	279		279	59		59
Income before income taxes	12,151		12,151	10,098		10,098
Income taxes	100	5,003(a)	5,103	767	3,474(a)	4,241
Net income	$ 12,051	$ (5,003)	$ 7,048	$ 9,331	$ (3,474)	$ 5,857
Earning per share						
Net income per share—basic and diluted	$ 0.45		$ 0.26	$ 0.35		$ 0.22
Weighted average shares outstanding—basic and diluted	26,700,000		26,700,000	26,700,000		26,700,000

(a) 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
		($ in thousands)	
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
Deferred income tax asset	—	28,941 (a)(g)	28,941
Prepaid expenses and other current assets	1,962		1,962
Total current assets	30,031	28,941	58,972
Property and equipment—net	3,082		3,082
Other assets	6,814	(g)	6,814
Total	$ 39,927	$ 28,941	$ 68,868
Liabilities and stockholders' equity			
Current liabilities:			
Accrued expenses and compensation	$ 13,423	(1,870)(b)	$ 11,553
Current portion of long-term debt and obligations under capital leases	132		132
Deferred income tax liability	136	518 (c)	654
Other current liabilities	728	14,000 (d)	14,728
Total current liabilities	14,419	12,648	27,067
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	267		267
Additional paid-in capital	3,692	68,904 (e)	72,596
Retained earnings (deficit)	13,026	28,941 (a)(g)	(39,585)
		1,870 (b)	
		(518)(c)	
		(14,000)(d)	
		(68,904)(f)(g)	
Accumulated other comprehensive income	2,199		2,199

Total stockholders' equity	19,184	16,293	35,477
Total	$ 39,927	$ 28,941	$ 68,868

(a) Gives effect to the deferred income tax asset and corresponding deferred income tax benefit resulting from the termination of our existing SAR plan and the grant of fully vested restricted stock units at the time of this offering as if these events had occurred on March 31, 2004.

(b) Gives effect to the reversal of the liability related to our existing SAR plan accrued as of March 31, 2004 and the corresponding effect on retained earnings.

(c) 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.

(d) 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.

(e) Gives effect to the grant of fully vested restricted stock units at the time of this offering as if this had occurred on March 31, 2004.

(f) Gives effect to non-cash compensation expense to be recorded in connection with the grant of fully vested restricted stock units on the date of the consummation of this offering as if this had occurred on March 31, 2004.

(g) Does not give effect to the intangible asset to be recorded based on the independently determined value of the non-competition agreements with management level employees associated with the grant of the fully vested restricted stock units described above. The amount of the non-cash compensation expense reflected will be reduced by the amount of the intangible asset recorded. Does not give effect to the decrease in the deferred income tax asset and in retained earnings resulting from the change in the deferred income tax benefit resulting from the reduction of the non-cash compensation expense recorded.

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.” However, we may not 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 three senior investment banking professionals. The loss of these professionals could result in the loss of our Investment Banking clients and jeopardize the viability of our investment banking business. 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 or 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 the assets we manage, revenue and earnings.

A significant majority of our revenue—approximately 73% for the year ended December 31, 2003 and 81% for the first quarter of 2004—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 the assets we manage. 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 the assets we manage 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.

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.

The stock and bond markets were volatile in the second quarter of 2004 amid concerns that the Federal Reserve would raise interest rates in response to economic data that indicate strong growth in the U.S. economy. In particular, REIT stock prices declined by approximately 5.8% during the second quarter of 2004, including a decline of approximately 14.6% in April 2004. As a result, the assets we managed decreased to $15.0 billion as of June 30, 2004 from $15.5 billion as of March 31, 2004.

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

As of July 31, 2004, 81% of the assets we managed were 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 the assets we manage 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 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 the assets we manage and our revenue.

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

Market conditions may preclude us from increasing the assets we manage in closed-end mutual funds. A significant portion of our recent growth in the assets we manage has resulted from public offerings of the shares of closed-end mutual funds, and we have raised $7.0 billion in closed-end mutual fund offerings since May 2001. The market conditions for these offerings may not be as favorable in the future, which could adversely impact our ability to grow the assets we manage 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 a mutual fund is subject to annual approval by the

mutual fund's board, including at least a majority of the independent directors, 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 the assets we manage 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. Under certain circumstances, stockholder activists may pressure closed-end mutual funds for which we are the investment advisor to tender for their 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 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 open-end and closed-end mutual funds and institutional separate accounts.

Loss of significant institutional separate accounts would decrease our revenue.

We managed 40 institutional separate account portfolios at July 31, 2004, of which the five largest represented approximately 51% of the institutional separate account assets we managed and approximately 11% of the total assets we managed. 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 the assets we manage and our 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 results of operations and future growth.

Rising interest rates could negatively impact our business.

Asset Management could be negatively impacted by rising interest rates. An increase in interest rates could cause the price of the REITs and other securities in our clients' portfolios to decline. In addition, an increase in interest rates could negatively impact net flows into open-end mutual funds and institutional separate accounts and our ability to offer new closed-end mutual funds. These events would negatively affect our revenue and net income.

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

Our ability to distribute 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 open-end and closed-end mutual funds, a significant portion of the growth in the mutual fund assets we manage 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 our revenue and profitability.

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. In addition, the Securities and Exchange Commission recently adopted rules that are designed to improve mutual fund corporate governance. These rules could result in further downward pressure on investment advisory fees in the mutual fund industry. 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 would have an adverse impact on our revenue and profitability.

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 operates in a highly competitive environment where there are no long term contracted sources of revenue. Investment Banking assignments are generally in connection with specific capital raising, merger or acquisition transactions or restructuring projects. Because these transactions are singular in nature and are not likely to recur, Investment Banking must seek new assignments when current assignments are successfully completed or are terminated. While each Investment Banking engagement for which a fee is earned is generally highly profitable, only a limited proportion of Investment Banking engagements result in a completed transaction for which a fee is earned. The employees of Investment Banking can spend significant amounts of time on transactions that are not completed and for which no fee will be earned. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any other period and the revenue and profitability of Investment Banking can be very volatile. For example, Investment Banking had net income of $3.2 million on $11.3 million of revenue in 2003, a 13.7% decrease in revenue and a 15.2% decrease in net income as compared to net income of $3.8 million on $13.1 million of revenue in 2002. 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 also subject to extensive regulation in the United States, including by the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. ("NASD"). See "Business—Regulation." 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.

In response to recent scandals in the mutual fund industry regarding late trading, market timing and selective disclosure of portfolio information, various legislative and regulatory proposals are pending in or before, or have been adopted by, the Securities and Exchange Commission, Congress, the legislatures in states in which we conduct operations and the various regulatory agencies that supervise our operations. Additionally, the Securities and Exchange Commission, the NASD and other regulators, as well as Congress, are investigating certain practices within our industry. These proposals, if enacted or adopted, could have a substantial impact on the regulation and operation of mutual funds and could adversely affect the assets we manage and our revenue and net income. In particular, new rules and regulations recently proposed or adopted by the SEC will place greater regulatory compliance and administrative burdens on us. For example, recently adopted rules require investment advisors and mutual funds to adopt, implement, review and administer written policies and procedures reasonably designed to prevent violation of the federal securities laws. Similarly, the public disclosure requirements applicable to mutual funds have become more stringent. We may require additional staff to satisfy these obligations, which would increase our operating expenses.

Regulatory developments designed to increase the independence of mutual fund boards of directors may result in downward pressure on our fees and could result in mutual funds not renewing their investment advisory and administration agreements with us.

The Securities and Exchange Commission has recently adopted new rules requiring that at least 75% of a mutual fund's directors, including the chairperson of the board of directors, be independent of the mutual fund's investment advisor and that the independent directors hold quarterly meetings without fund executives. The Securities and Exchange Commission has also adopted new rules that will require mutual fund shareholder reports to discuss, in reasonable detail, the material factors and conclusions that formed the basis for the approval by a mutual fund's board of directors of any investment advisory agreement, including the fees payable under the agreement. The board of directors of each mutual fund for which we are the investment advisor, including at least a majority of the mutual fund's independent directors, must determine both initially and, following the initial two year term, annually thereafter that the mutual fund's investment advisory fee is reasonable in relation to, among other things, the performance of the mutual fund, the services provided by the investment advisor and the advisory fees charged to comparable mutual funds. These directors have a fiduciary duty to the mutual fund shareholders. If regulatory developments designed to increase the independence of mutual fund boards of directors result in reductions in the fees payable to other fund managers, this could in turn result in downward pressure on our fees. In addition, Asset Management's continued receipt of revenue is subject to the risk that mutual fund boards of directors may determine not to renew investment advisory and administration agreements with us or that they may renew such agreements at lower fee rates than are then in effect.

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 use “soft dollars,” our operating expenses would increase.

For the fiscal year ended December 31, 2003, our client accounts paid a total of $11.4 million in brokerage commissions. Of this amount, $2.6 million in brokerage commissions was placed with broker-dealers that provided $1.3 million in research and investment information. These expenses are borne entirely by our advisory clients and are not reflected in our financial statements. If the use of “soft dollars” were 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.

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 of or accounting for 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. We cannot be sure that a failure or interruption of any of our back-up 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 for the fiscal quarter ending September 30, 2004 due to the grant of fully vested restricted stock units at the time of this offering.

Assuming an initial public offering price of $14.00 per share, which is the midpoint of the range indicated on the front cover of this prospectus, we expect to grant fully vested restricted stock units with an aggregate value of $68.9 million to 15 management level employees at the time of this offering. See “Management—IPO Date Restricted Stock Unit Grants.” If the initial public offering price per share is higher than $14.00, however, the aggregate value of the fully vested restricted stock units that we grant will be greater. As a result of the grant of these fully vested restricted stock units, we expect to record a significant non-cash compensation expense during the third quarter of 2004 and an intangible asset on our statement of financial condition with respect to the independently determined value of the agreements we will receive from each of these management level employees not to compete with us prior to February 2008. The total amount of the non-cash compensation expense and of the intangible asset will equal the value of the fully vested restricted stock units granted based on the initial public offering price of the underlying common stock ($68.9 million assuming an initial public offering price of $14.00 per share), as adjusted for $2.4 million of cumulative compensation cost recorded on our existing Stock Appreciation Rights Plan, which we will terminate at that time. Accordingly, assuming an initial public offering price per share of $14.00, the total amount of the non-cash compensation expense and of the intangible asset will be $66.5 million.We have not yet determined the amount of the intangible asset but it could be a substantial portion of the $66.5 million. As a result of this non-cash compensation expense, we expect that our operating expenses for the quarter ending September 30, 2004 and for this fiscal year will be significantly higher than in prior periods and that we will record a substantial net loss for this quarter and may record a net loss for this fiscal year. Moreover, we will amortize the intangible asset over the period of the non-competition covenants, which will result in a non-cash amortization expense in these future periods, thereby reducing our earnings in those periods.

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 78.0% 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, among other things:

- 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;

- determine the outcome of matters submitted to a vote of our stockholders for approval; and

- 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 between us and the representative of the underwriters, and may not be 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, 26,700,000 shares of our common stock immediately following the offering, 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.” 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.”

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 management level employees an aggregate of 4,921,718 fully vested restricted stock units pursuant to the 2004 Stock Incentive Plan at the time of this offering.

In general, the shares of common stock underlying these 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 600,000 restricted stock units pursuant to the 2004 Stock Incentive Plan at the time of this offering. In general, these restricted stock units will vest, and the shares of common stock underlying these restricted stock units will be delivered, on the last business day in January 2008. See "Management—IPO Date Restricted Stock Unit Grants."

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 $14.00 per share and after deducting estimated underwriting discounts, commissions and offering expenses, will be $93.1 million, or $107.6 million if the underwriters exercise their overallotment option in full. We intend to use these net proceeds to enhance our asset management platform by expanding our investment capabilities, launching new products, and expanding distribution, and for general corporate purposes. This may include providing seed or organizational capital for new closed-end and open-end mutual funds, making strategic acquisitions of asset managers, and funding distribution expenses. We intend to use approximately $3.3 million during the third quarter of 2004 to acquire a 50% equity interest in Houlihan Rovers S.A., a Brussels, Belgium based manager of real estate securities and to invest the remaining proceeds in short-term investments until we identify additional specific uses.

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 $0.10 per share for the third 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 an agreement and plan of merger among Cohen & Steers, Inc., CSCM Merger Sub, Inc. and Cohen & Steers Capital Management, Inc., the form of which is 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 and corresponding deferred income tax expense would have been $0.5 million if the revocation date

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had been March 31, 2004, and we estimate that the additional net deferred tax liability and corresponding deferred income tax expense will be approximately $0.4 million. The actual amount of the additional net deferred tax liability and corresponding income tax expense 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 one or more distributions to our current stockholders representing payment of undistributed S corporation accumulated earnings for tax purposes at and through the date of revocation. The aggregate distributions would have been $14.0 million if the revocation date had been March 31, 2004, and we estimate that the aggregate amount of the distributions will be approximately $24 million. The actual amount of the aggregate distributions 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 is 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 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 effect on retained earnings of the reversal of the accrued liability for our existing SAR plan resulting from the termination of the SAR plan, described in "Management-Stock Appreciation Rights Plan," and of the non-cash compensation expense and related deferred income tax benefit resulting from the grant of fully vested restricted stock units at the time of this offering, described in "Management-IPO Date Restricted Stock Unit Grants," as if these events had occurred on March 31, 2004;
  - —the recognition of 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. We estimate that the actual amount of the deferred income tax expense will be approximately $0.4 million;
  - —the accrual of the $14.0 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. We estimate that the actual aggregate amount of the S corporation distributions will be approximately $24 million;
  - —the consummation of the merger described in "Reorganization and S Corporation Status—Reorganization," which will occur prior to the consummation of this offering, including the conversion of each outstanding share of common stock in Cohen & Steers Capital Management, Inc. into a share of common stock in Cohen & Steers, Inc; and
  - —the issue and sale by us of 7,500,000 shares of common stock in this offering, at an assumed initial public offering price of $14.00 per share and after deducting estimated underwriting discounts, commissions and offering expenses.

The following table does not give effect to the change in retained earnings resulting from the change in the non-cash compensation expense and the deferred income tax benefit attributable to the reduction of the non-cash compensation expense by an amount equal to the amount of the intangible asset to be recorded. The amount of the intangible asset will be based on the value of the non-competition agreements with management level employees associated with the grant of the fully vested restricted stock units described above.

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)	
Debt:		
Bank line of credit	$ 4,584	$ 4,584
Long-term debt, including current portion	1,748	1,748
Obligations under capital leases, including current portion	39	39
Total debt	6,371	6,371

Stockholders' equity:		
Common stock, $0.01 par value; 15,000,000 voting shares authorized, 14,567,556 shares issued and outstanding and 15,000,000 non-voting shares authorized, 12,132,444 issued and outstanding, actual; 500,000,000 shares authorized, 34,200,000 shares issued and outstanding, pro forma as adjusted	267	342
Additional paid-in capital	3,692	165,621
Retained earnings (deficit)	13,026	(39,585)
Accumulated other comprehensive income	2,199	2,199
Total stockholders' equity	19,184	128,577
Total capitalization	$ 25,555	$ 134,948

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 $0.72 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 7,500,000 shares of common stock in this offering, at an assumed initial public offering price of $14.00 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 $112.3 million, or $3.28 per share of common stock. This represents an immediate increase in net tangible book value to existing stockholders of $2.56 per share and an immediate dilution in net tangible book value to new investors of $10.72 per share.

The following table illustrates this per share dilution:

Assumed initial public offering per share		$ 14.00
Net tangible book value per share as of March 31, 2004	$ 0.72	
Increase in net tangible book value per share attributable to new investors	2.56	
Net tangible book value per share after giving effect to this offering		3.28
Dilution in net tangible book value per share to new investors		$ 10.72

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. Prior to the 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 we expect will differ from the salaries and bonuses to be paid to our co-chief executive officers in future periods.

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)(2)	1,089	1,297	654	611	100	(24)	767
Net income (loss)(2)	$ 9,743	$ 11,638	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331
Net income (loss) per share—basic and diluted(2)(3)	$ 0.37	$ 0.44	$ 0.25	$ 0.32	$ 0.45	$ (0.00)	$ 0.35
Weighted average shares outstanding—basic and diluted(3)	26,250,737	26,250,737	26,250,737	26,475,368	26,700,000	26,700,000	26,700,000

(1)

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

(2) For all periods presented, we operated as an S corporation and were not subject to U.S. federal and certain state income taxes. Prior to the completion of this offering, we will become subject to U.S. federal and certain state and local income taxes applicable to C corporations. See "Summary—Unaudited Consolidated Pro Forma Financial Information" for the pro forma effects on net income and earnings per share for the year ended December 31, 2003 and the three months ended March 31, 2004 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%.

(3) All per share amounts and weighted average shares outstanding have been adjusted to reflect a 291.351127 for one stock split that we effected on June 16, 2004.

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 Managed

	Year Ended December 31, 1999	2000	2001	2002	2003	Three Months Ended March 31, 2004	Three Months Ended June 30, 2004	One Month Ended July 31, 2004
	($ in millions)							
Total accounts								
Beginning total assets managed	$ 3,991.4	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0
Net flows	(260.1)	9.5	647.3	817.7	2,629.4	2,639.1	316.4	7.5
Net appreciation (depreciation)	30.8	986.9	291.7	108.6	2,426.9	1,220.1	875.7	101.6
Ending total assets managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0	$ 15,089.1
Closed-end mutual funds								
Beginning closed-end mutual fund assets managed	$ 113.6	$ 98.0	$ 114.2	$ 600.7	$ 2,114.3	$ 4,790.6	$ 7,664.5	$ 7,670.5
Net flows	0.0	0.0	478.6	1,573.1	1,973.5	2,472.0	459.5	0.0
Net appreciation (depreciation)	(15.6)	16.2	7.9	(59.5)	702.8	401.9	(453.5)	0.4
Ending closed-end mutual fund assets managed	98.0	114.2	600.7	2,114.3	4,790.6	7,664.5	7,670.5	7,670.9
Open-end mutual funds								
Beginning open-end mutual fund assets managed	2,043.6	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0	4,029.3
Net flows	(484.8)	113.5	138.7	121.3	528.9	166.8	(231.8)	(1.1)
Net appreciation (depreciation)	12.7	392.5	98.4	16.5	915.8	450.1	(252.9)	43.3
Ending open-end mutual fund assets managed	1,571.5	2,077.5	2,314.6	2,452.4	3,897.1	4,514.0	4,029.3	4,071.5
Institutional separate accounts								
Beginning institutional separate account assets managed	1,834.2	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8	3,280.2
Net flows	224.7	(104.0)	30.0	(876.7)	127.0	0.3	78.9	8.6
Net appreciation (depreciation)	33.7	578.2	185.4	151.6	808.3	368.1	(159.5)	57.9

Ending institutional separate account assets managed	2,092.6	2,566.8	2,782.2	2,057.1	2,992.4	3,360.8	3,280.2	3,346.7
Ending total assets managed	$ 3,762.1	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3	$ 14,980.0	$ 15,089.1
Total net flows/beginning total assets managed (%)	–6.5%	0.3%	13.6%	14.4%	39.7%	22.6%	2.0%	0.1%
Total change in total assets managed (%)	–5.7%	26.5%	19.7%	16.3%	76.3%	33.0%	–3.6%	0.7%

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, operating expenses and net income for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

Summary Income Statement Data

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue					
Asset Management	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Investment Banking	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	$ 23,598	$ 37,633	$ 50,510	$ 10,843	$ 14,278
Investment Banking	4,891	8,964	7,959	1,100	2,992
Consolidated Operating Expenses	$ 28,489	$ 46,597	$ 58,469	$ 11,943	$ 17,270
Net Income					
Asset Management	$ 8,374	$ 4,656	$ 8,847	$ (115)	$ 7,955
Investment Banking	(1,770)	3,780	3,204	—	1,376
Consolidated Net Income (Loss)	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331

Asset Management

Asset Management's principal business is the development and management of portfolios of income oriented, or dividend paying, equity securities. Asset Management provides:

- investment advisory and administration services to the open-end and closed-end mutual funds for which we are the investment advisor and to institutional separate accounts for investors such as pension and endowment funds, as well as sub-advisory services for mutual funds which are sponsored by other financial institutions;
- portfolio consulting services for non-proprietary registered investment companies; and

- distribution services for the open-end mutual funds for which we are the investment advisor.

Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from mutual funds for which we are the investment advisor and investment advisory fees received from institutional separate accounts. Fees earned by Asset Management are based on contractually specified percentages of 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 the assets we manage are, in turn, driven by our relative and absolute 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 base salaries, we generally pay our Asset Management employees annual bonuses that depend on, among other things, our profitability, employee performance and market conditions. Expenses related to the distribution of mutual funds, including the amortization of deferred sales commissions for open-end load mutual funds, are also significant Asset Management expenses. General and administrative expenses consist primarily of professional fees and travel and entertainment, rental and marketing expenses and are allocated between Asset Management and Investment Banking.

While there are reductions in fee rates for those open-end mutual funds that achieve a certain size and for large institutional separate accounts, Asset Management's profitability tends to increase as it manages more assets. Although each new open-end mutual fund must reach a certain size to become profitable, the incremental revenue associated with additional assets tends to exceed the incremental costs associated with managing these assets.

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 investors an array of investment products that are focused on high income producing equity securities through both current and new product offerings. While we have historically specialized in managing portfolios of real estate securities, and such securities represented 92% of the assets we managed as of December 31, 2003 and 81% of the assets we managed as of July 31, 2004, in 2003 we created investment capabilities in utilities and corporate preferred stocks and our investment strategies and products currently focus on:

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

Asset Management has experienced significant growth over the past three years, with the assets we managed increasing by over 172% to $15.5 billion at March 31, 2004 from $5.7 billion at December 31, 2001. Over this period the percentage of the assets we managed in closed-end mutual funds increased from 10% to 49%, while the percentage of the assets we managed in open-end mutual funds decreased from 41% to 29% and the percentage of the assets we managed in institutional separate accounts decreased from 49% to 22%. While we continually market our services for all account types, the market for closed-end mutual funds was very favorable during this period, which was the primary reason for this change in the account type mix of the assets we managed. The market conditions for closed-end mutual fund offerings may not be as favorable in future periods. The following table sets forth a breakdown of the changes in the assets we have managed since 2001 attributable to net flows and net appreciation.

Component Changes in Assets Managed

	Year Ended December 31,			Three Months Ended March 31,
	2001	2002	2003	2004
	($ in millions)			
Beginning assets managed	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 11,680.1
Net flows	647.3	817.7	2,629.4	2,639.1
Net appreciation	291.7	108.6	2,426.9	1,220.1
Ending assets managed	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 15,539.3

Since May 2001 we have launched six of the seven closed-end mutual funds that we currently manage. We have also increased the assets we manage through net sales of shares of open-end mutual funds. Much of this growth can also be attributed to our presence in the real estate securities market. REIT securities have experienced strong market appreciation over the past several years and have gained a wider acceptance by individual and institutional investors as an asset class based on their diversification benefits, income characteristics and growth potential. Historical rates of growth in the assets that we manage are not necessarily indicative of future results, however, and the level of growth we have experienced since 2001 may not be sustainable in the future due to changing market conditions.

The stock and bond markets were volatile in the second quarter of 2004 amid concerns that the Federal Reserve would raise interest rates in response to economic data that indicate strong growth in the U.S. economy. In particular, real estate stock prices declined by approximately 5.8% during the second quarter of 2004, including a decline of approximately 14.6% in April 2004 as investors may have viewed real estate securities less favorably in a rising interest rate environment where the returns on less risky investments become relatively more attractive. As a result, the real estate securities that we manage decreased to $12.1 billion as of June 30, 2004 from $12.6 billion as of March 31, 2004 and the total assets that we manage decreased to $15.0 billion as of June 30, 2004 from $15.5 billion as of March 31, 2004. For this reason, and also because of the increased volatility in the capital markets which results from a changing interest rate environment, rising interest rates could also negatively affect net flows into open-end mutual funds and institutional separate accounts and our ability to offer new closed-end mutual funds. A decline in the assets we manage will negatively affect our revenue and net income. We do not believe our liquidity or financial condition will be adversely affected by a rise in interest rates because we have relatively low levels of debt and primarily meet our cash and liquidity requirements through operating cash flows.

The following business trends have affected the financial results for Asset Management over the periods presented:

- Increased assets managed due to new closed-end fund offerings and inflows into open-end funds and market appreciation.
- Increased compensation expenses as a result of increased staffing due to new product initiatives and growth in the assets we manage and increased bonuses due to investment performance and firm profitability.
- Increased general and administrative expenses due to growth in the assets we manage and to new product developments.
- Increased distribution revenue and expenses due to growth in the closed-end and open-end mutual fund assets we manage.

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 from assisting our clients in raising capital by finding investors willing to invest in these clients' securities. 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 an annual 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. Investment Banking assignments are generally in connection with specific capital raising, merger or acquisition transactions or restructuring projects. Because these transactions are singular in nature and are not likely to recur, Investment Banking must seek new assignments when current assignments are successfully completed or are terminated. While each Investment Banking engagement for which a fee is earned is generally highly profitable, only a limited proportion of Investment Banking engagements result in a completed transaction for which a fee is earned. The employees of Investment Banking can spend significant amounts of time on transactions that are not completed and for which no fee will be earned. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any other period and the revenue and profitability of Investment Banking can be very volatile. For example, Investment Banking had net income of $3.2 million on $11.3 million of revenue in 2003, a 13.7% decrease in revenue and a 15.2% decrease in net income as compared to net income of $3.8 million on $13.1 million of revenue in 2002.

The overall economic and market conditions in the U.S. economy as well as the financial performance of our clients can significantly affect Investment Banking's financial performance. Downturns in the economy, the interest rate environment, geopolitical uncertainties, or any slowdown in the real estate related sectors in which Investment Banking conducts business could adversely affect its earnings.

Of the 21 clients from which Investment Banking has generated revenue since it was established in 1999, four are companies in which Asset Management has invested client assets. Investment Banking assisted these clients in raising capital by finding investors willing to invest in these clients' securities and generated revenue of:

- $0.3 million (or 2% of Investment Banking revenue) in 2002,
- $3.6 million (or 32% of Investment Banking revenue) in 2003, and
- $3.8 million (or 85% of Investment Banking revenue) in the three months ended March 31, 2004.

Investment Banking did not generate any revenue from these clients in 2001 or the three months ended March 31, 2003. Of the total revenue generated by Investment Banking relating to these four companies, $0.5 million derived from the direct investment of client assets by Asset Management in these companies' securities.

S Corporation Status

We have historically operated as an S corporation and were not subject to U.S. federal and certain state income taxes. Prior to completion of this offering we will become subject to the additional taxes applicable to C corporations. We would have paid additional income taxes of $5.0 million for the year ended December 31, 2003 and $3.5 million for the three months ended March 31, 2004 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%.

In addition, we expect that salaries and bonuses to be paid to our co-chief executive officers in future periods will differ from the salaries and bonuses included in our historical results during our status as an S corporation. For example, the decrease in Asset Management's net income from 2001 to 2002 was primarily due to a 84% increase in the segment's employee compensation and benefits expenses, which included a $7.8 million increase in bonuses for our co-chief executive officers from $2.2 million in 2001 to $10.0 million in 2002 that accounted for 68% of this increase.

IPO Date Grant of Fully Vested Restricted Stock Units—Significant Loss for the Third Quarter of 2004 and Future Amortization Expense

Assuming an initial public offering price of $14.00 per share, which is the midpoint of the range indicated on the front cover of this prospectus, we expect to grant fully vested restricted stock units with an aggregate value of $68.9

million to 15 management level employees at the time of this offering. See "Management—IPO Date Restricted Stock Unit Grants." Joseph M. Harvey, our president, will receive the largest allocation of restricted stock units, which will have a value of $14.6 million based on an assumed initial public offering price of $14.00 per share. If the initial public offering price per share is higher than $14.00, however, the aggregate value of the fully vested restricted stock units that we grant will be greater.

As a result of the grant of these fully vested restricted stock units, we expect to record a significant non-cash compensation expense during the third quarter of 2004 and an intangible asset on our statement of financial condition with respect to the independently determined value of the agreements we will receive from each of these management level employees not to compete with us prior to February 2008. The total amount of the non-cash compensation expense and of the intangible asset will equal the value of the fully vested restricted stock units granted based on the initial public offering price of the underlying common stock ($68.9 million assuming an initial public offering price of $14.00 per share), as adjusted for $2.4 million of cumulative compensation cost recorded on our existing Stock Appreciation Rights Plan, which we will terminate at that time. Accordingly, assuming an initial public offering price per share of $14.00, the total amount of the non-cash compensation expense and of the intangible asset will be $66.5 million. We have not yet determined the amount of the intangible asset but it could be a substantial portion of the $66.5 million.

As a result of this non-cash compensation expense, we expect that our operating expenses for the quarter ending September 30, 2004 and for this fiscal year will be significantly higher than in prior periods and that we will record a substantial net loss for this quarter and may record a net loss for this fiscal year. Moreover, we will amortize the intangible asset over the period of the non-competition covenants, which will result in a non-cash amortization expense in these future periods, thereby reducing our earnings in those periods.

Business Expansion and Public Company Costs

Asset Management has experienced significant recent growth. In addition to an overall increase in the assets we manage, we have diversified our product offerings to include corporate preferred stocks and utility common and preferred stocks in addition to REIT common and preferred stocks. Our business strategy is to continue to diversify our product and service offerings and increase the assets we manage. While we believe we currently have the resources necessary to accommodate further growth over the near to medium term, significant further growth may require increased expenses to enhance our capabilities.

In addition, 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, director and officer insurance, director fees, Securities and Exchange Commission reporting, transfer agent fees, professional fees and similar expenses. These additional expenses will reduce our net income.

Agreements to Waive Investment Advisory Fees and Bear Expenses

We reduce the expenses of eight of the twelve mutual funds for which we are the investment advisor by waiving investment advisory fees (which reduces our revenue by an amount equal to the fees waived) or bearing expenses (which increases our expenses by an amount equal to the expenses borne) otherwise payable by these funds. We have contractually agreed with:

- five of the seven closed-end mutual funds for which we are the investment advisor to waive up to 49% of our investment advisory fees for up to 10 years following the commencement of the fund's operations;

- two of the five open-end mutual funds for which we are the investment advisor to waive our investment advisory fees and/or reimburse the open-end mutual funds so that their expenses do not exceed between 1.15% and 2.15% of their net assets; and

-

a third open-end mutual fund, Cohen & Steers Institutional Realty Shares, Inc., to bear all of this fund's operating expenses.

The following table discloses the aggregate investment advisory fees waived and expenses borne for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

Investment Advisory Fees Waived/Expenses Borne

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Closed-end mutual fund investment advisory fees waived	$ 1,078	$ 4,660	$ 7,170	$ 1,542	$ 2,620
Open-end mutual fund investment advisory fees waived/ expenses borne	856	846	1,040	235	325
	$ 1,934	$ 5,506	$ 8,210	$ 1,777	$ 2,945

When we waive investment advisory fees or bear expenses otherwise payable by a mutual fund, this provides a direct benefit to the mutual fund investors by lowering the expenses associated with investing in the fund and improving the fund's investment performance. These agreements to waive fees and bear expenses reduce our revenue and increase our expenses, and thereby reduce our operating income, by an amount equal to the fees waived or expenses borne. We agree to waive investment advisory fees and bear expenses payable by a mutual fund because we believe this enhances the sales effort for the fund and thereby increases the assets that we manage.

Although the agreements we have with closed-end mutual funds to waive investment advisory fees otherwise payable by the funds specify that they are to begin to expire in 2006 and continuing through 2012, this would reduce the investment performance of the funds and may not occur. Each of our investment advisory agreements with a mutual fund, including the fees payable under the agreement, is subject, following the initial two year term, to annual approval by the mutual fund's board of directors, including at least a majority of the independent directors. These directors have a fiduciary duty to the mutual fund shareholders. Moreover, as discussed below, the Securities and Exchange Commission has recently adopted new rules enhancing the independence of mutual fund boards of directors and requiring detailed disclosure in mutual fund shareholder reports regarding the material factors and conclusions that formed the basis for the approval by a mutual fund's board of directors of any investment advisory agreement, including the fees payable under the agreement. Mutual fund boards of directors may determine not to renew investment advisory and administration agreements with us or they may not allow our agreements to waive fees to expire. In addition, open-end mutual fund shareholders may withdraw their assets at any time. See “Related Party Transactions—Agreements to Waive Investment Advisory Fees and Bear Expenses.”

Recent Developments in the Regulation of the Mutual Fund Industry

There have been significant recent developments in the regulation of the mutual fund industry in response to improprieties that have recently been uncovered in the industry. Asset Management faces uncertainty regarding the implementation of these rules and requirements and the impact of these rules and requirements on our business and expenses. In particular:

- *Compliance Requirements.* New rules and regulations recently proposed or adopted by the SEC will place greater regulatory compliance and administrative burdens on us. For example, recently adopted rules require investment advisors and mutual funds to adopt, implement, review and administer written policies and procedures reasonably designed to prevent violation of the federal securities laws. Similarly, the public disclosure requirements applicable to mutual funds have become more stringent. While we do not expect any near-term material effect on our operating results due to the implementation of these and other recently proposed or adopted rules, we may require additional staff to satisfy these obligations, which would increase our operating expenses.

In addition, new Securities and Exchange Commission rules also require mutual funds and investment advisors to appoint chief compliance officers, who are responsible for overseeing the policies and procedures. While the Securities and Exchange Commission has not required that a mutual fund chief compliance officer be independent of the mutual fund's investment advisor, the new rule requires that the chief compliance officer be accountable directly to a mutual fund's independent directors even if the chief compliance officer is an employee of the investment advisor. Further, the mutual fund's chief compliance officer can only be dismissed by the mutual fund's independent directors and the mutual fund's independent directors must approve the chief compliance officer's compensation. This requirement will add a new layer of complexity to managing a mutual fund in that each mutual fund will have an officer who is accountable directly to the mutual fund's independent directors rather than being accountable only to the mutual fund's investment advisor.

- *Mutual Fund Corporate Governance.* The Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission and the New York Stock Exchange have implemented significant changes to the corporate governance requirements applicable to mutual funds. For example, the Securities and Exchange Commission has recently adopted new rules requiring that at least 75% of a mutual fund's directors, including the chairperson of the board of directors, be independent of the mutual fund's investment advisor and that the independent directors hold quarterly meetings without fund executives. In addition, these new rules require mutual funds to explicitly authorize the independent directors to hire employees and to retain advisors and experts necessary to carry out their duties, such as helping them address complex matters and providing them with an understanding of the practices of other mutual funds.

  The Securities and Exchange Commission has also adopted new rules that will require mutual fund shareholder reports to discuss, in reasonable detail, the material factors and conclusions that formed the basis for the approval by a mutual fund's board of directors of any investment advisory agreement, including the fees payable under the agreement. In addition, the fund will be required to disclose whether the board of directors relied upon comparisons of the services to be rendered and the amounts to be paid under the contract with those under other investment advisory contracts, such as contracts of the same and other investment advisors with other registered investment companies or other types of clients. The board of directors of each mutual fund for which we are the investment advisor, including at least a majority of the mutual fund's independent directors, must determine both initially and, following the initial two year term, annually thereafter that the mutual fund's investment advisory fee is reasonable in relation to, among other things, the performance of the mutual fund, the services provided by the investment advisor and the advisory fees charged to comparable mutual funds. These directors have a fiduciary duty to the mutual fund shareholders. While we believe our investment advisory fees are reasonable in relation to the performance of the funds that we manage and to the services that we provide, as well as to the advisory fees charged by other fund managers to comparable mutual funds, if regulatory developments designed to increase the independence of mutual fund boards of directors result in reductions in the fees payable to other fund managers, this could in turn result in downward pressure on our fees. In addition, Asset Management's continued receipt of revenue is subject to the risk that mutual fund boards of directors may determine not to renew investment advisory and administration agreements with us or that they may renew such agreements at lower fee rates than are then in effect.

- *Soft Dollars.* Proposed regulations could revise or eliminate the ability of investment advisors to use “soft dollars.” For the fiscal year ended December 31, 2003, our client accounts paid a total of $11.4 million in brokerage commissions. Of this amount, $2.6 million in brokerage commissions was placed with broker-dealers that provided $1.3 million in research and investment information. These expenses are borne entirely by our advisory clients and are not reflected in our financial statements. If the use of “soft dollars” were 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.

See "—Regulatory Compliance," "Business—Regulation" and "Business—Use of Soft Dollars" for additional discussion o regulations applicable to our business.

Asset Management

Asset Management's principal business is the development and management of portfolios of income oriented equity securities. Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from mutual funds and investment advisory fees received from institutional separate accounts. These fees are based on contractually specified percentages of the assets of each client's portfolio. Asset Management's revenue fluctuates with changes in the total value of the portfolios and is recognized over the period that the assets are managed. The mutual funds for which we are the investment advisor pay their fees on a monthly basis, which provides us with stable cash flows and ample liquidity to meet our daily business needs. Institutional separate accounts are billed on a quarterly basis.

Our Accounts

We manage assets for clients in three types of accounts:

- *Closed-end mutual funds* sell a finite number of shares to investors who then trade these shares on a stock exchange. Investors buy shares from, and sell shares to, other investors through the exchange. Accordingly, closed-end mutual fund revenue and assets that we manage generally vary due to market appreciation or depreciation.

- *Open-end mutual funds* are continually offered and are not listed on a stock exchange. Open-end mutual funds issue new shares for investor purchases and repurchase shares from those shareholders who sell. The share price for purchases and repurchases of open-end mutual funds is determined by each fund's net asset value, which is calculated at the end of each fund business day. The open-end mutual fund revenue and assets that we manage vary with both market appreciation and depreciation and the level of new purchases of 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. The institutional separate account revenue and assets that we manage vary primarily with market appreciation and depreciation. Flows into and out of such accounts also affect institutional separate account assets, although to a lesser extent than with open-end mutual fund assets because such activity occurs less frequently.

Each of the mutual funds for which we are the investment advisor is a fund that we established and is marketed under the Cohen & Steers name. We may organize a new mutual fund when we believe that investors will find that mutual fund to be an attractive investment opportunity. The mutual funds that we manage are:

Closed-end Mutual Funds

- Cohen & Steers Total Return Realty Fund, Inc.
- Cohen & Steers Advantage Income Realty Fund, Inc.
- Cohen & Steers Quality Income Realty Fund, Inc.
- Cohen & Steers Premium Income Realty Fund, Inc.
- Cohen & Steers REIT and Preferred Income Fund, Inc.
- Cohen & Steers REIT and Utility Income Fund, Inc.
- Cohen & Steers Select Utility Fund, Inc.

Open-end Mutual Funds

- Cohen & Steers Realty Shares, Inc.
- Cohen & Steers Special Equity Fund, Inc.
- Cohen & Steers Equity Income Fund, Inc.
- Cohen & Steers Institutional Realty Shares, Inc.
- Cohen & Steers Utility Fund, Inc.

The board of directors of each mutual fund for which we are the investment advisor, including at least a majority of the mutual fund's independent directors, must:

- determine both initially and annually thereafter that the mutual fund's investment advisory fee is reasonable in relation to, among other things, the performance of the mutual fund, the services provided by the investment advisor and the advisory fees charged to comparable mutual funds; and

- initially and annually approve the mutual fund's administrative and distribution-related agreements pursuant to which Asset Management receives fee revenue.

Currently, at least a majority of each mutual fund's directors must be independent of us. However, the Securities and Exchange Commission has recently adopted new rules requiring that at least 75% of a mutual fund's directors, including the chairperson of the board of directors, be independent of us and that the independent directors hold quarterly meetings without fund executives. Moreover, the Securities and Exchange Commission has adopted new rules that will require mutual fund shareholder reports to discuss, in reasonable detail, the material factors and conclusions that formed the basis for the approval by the mutual fund's board of directors of any investment advisory agreement. Asset Management's continued receipt of revenue is, accordingly, subject to the risk that mutual fund boards of directors may determine not to renew investment advisory and administration agreements with us or that they may renew such agreements at lower fee rates than are then in effect.

The tables below provide a detailed breakdown of investment advisory and administration fees and of distribution and service fees for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

Closed-end Mutual Fund Investment Advisory and Administration Fees

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended March 31,
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	2004 vs. 2003 (%)
	($ in millions)							
Cohen & Steers Total Return Realty Fund, Inc.	$ 0.7	$ 0.9	$ 1.0	$ 0.2	$ 0.3	29%	11%	50%
Cohen & Steers Realty Income Fund, Inc.*	0.1	n/a	n/a	n/a	n/a	–100%	n/a	n/a
Cohen & Steers Advantage Income Realty Fund, Inc.	1.1	2.1	2.5	0.5	0.8	91%	19%	60%
Cohen & Steers Premium Income Realty Fund, Inc.	n/a	1.0	4.1	0.9	1.3	n/a	310%	44%
Cohen & Steers Quality Income Realty Fund, Inc.	n/a	3.5	4.7	1.0	1.4	n/a	34%	40%
Cohen & Steers REIT and Preferred Income Fund, Inc.	n/a	n/a	5.4	n/a	3.2	n/a	n/a	n/a
Cohen & Steers REIT and Utility Income Fund, Inc.	n/a	n/a	n/a	n/a	1.3	n/a	n/a	n/a
Cohen & Steers Select Utility Fund, Inc.					0.0	n/a	n/a	n/a
Closed-end mutual fund administration fees	0.1	0.3	0.9	0.1	0.5	180%	221%	400%
Total closed-end mutual fund investment advisory and administration fees	$ 2.0	$ 7.8	$ 18.6	$ 2.7	$ 8.8	291%	139%	227%

* Cohen & Steers Realty Income Fund, Inc. ceased operations in May 2001 and the assets of that fund were merged into Cohen & Steers Total Return Realty Fund, Inc.

Open-end Mutual Fund Investment Advisory and Administration Fees

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended March 31,
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	2004 vs. 2003 (%)
	($ in millions)							
Cohen & Steers Realty Shares, Inc.	$ 11.4	$ 12.3	$ 11.9	$ 2.5	$ 3.6	8%	–3%	44%
Cohen & Steers Institutional Realty Shares, Inc.	4.5	4.7	5.4	1.1	1.8	4%	15%	64%
Cohen & Steers Special Equity Fund, Inc.	0.3	0.1	0.1	0.0	0.1	–67%	0%	79%
Cohen & Steers Equity Income Fund, Inc.	1.5	3.4	6.4	1.1	2.6	127%	88%	136%
Open-end mutual fund administration fees	0.3	0.4	0.4	0.1	0.2	33%	0%	100%
Total open-end mutual fund investment advisory and administration fees	$ 18.0	$ 20.9	$ 24.2	$ 4.8	$ 8.3	16%	16%	73%

Institutional Separate Account Investment Advisory Fees

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended March 31,
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	2004 vs. 2003 (%)
	($ in millions)							
Institutional Separate Accounts	$ 10.8	$ 9.7	$ 8.8	$ 2.0	$ 2.6	–10.1%	–9.3%	34.1%

Distribution and Service Fee Revenue

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended March 31,
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	2004 vs. 2003 (%)
	($ in thousands)							
Distribution fee revenue	$ 744	$ 2,187	$ 4,296	$ 706	$ 1,770	194%	96%	151%
Shareholder service fee revenue	368	884	1,584	268	638	140%	79%	138%
Total distribution and service fee revenue	$ 1,112	$ 3,071	$ 5,880	$ 974	$ 2,408	176%	91%	147%

The table below provides a detailed breakdown of distribution and service fee expenses for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

Distribution and Service Fee Expenses

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended March 31,
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	2004 vs. 2003 (%)
	($ in thousands)							
Distribution expenses for closed-end funds	$ 1,000	$ 868	$ 3,173	$ 362	$ 1,708	–13%	266%	372%
Distribution expenses for open-end funds	2,194	2,319	2,570	536	1,152	6%	11%	115%
Distribution fee, shareholder service fee, and other distribution expenses for open-end funds	875	1,557	3,447	529	1,335	78%	121%	152%
Total distribution and service fee expenses	$ 4,069	$ 4,744	$ 9,190	$ 1,427	$ 4,195	17%	94%	194%

Revenue from closed-end mutual funds has increased both in dollar terms and as a percentage of our revenue due to the creation of six closed-end mutual funds over the last three years. Revenue from open-end mutual funds has also increased, but has decreased as a percentage of total revenue. Institutional separate account revenue has decreased from 2001 to 2003, but has increased in the first quarter of 2004. Revenue from these different account types typically varies with the level of assets we manage for each account type. While we continually market our services in all account types, we pursue opportunities that present us with the greatest ability to raise assets. Demand for our advisory services for a particular account type varies depending on market performance and other factors, despite our constant marketing efforts in all account types.

Closed-end mutual funds. Revenue from closed-end mutual funds increased 226% to $8.8 million in the three months ended March 31, 2004 from $2.7 million in the three months ended

March 31, 2003. During the first quarter of 2004, we earned investment advisory and administration fees from seven closed-end mutual funds, two of which were new funds that commenced operations in late January and March 2004, compared to four closed-end mutual funds during the first quarter 2003. Of the $8.8 million closed-end mutual fund fees earned in the three months ended March 31, 2004, we earned three months of investment advisory and administration fees from five closed-end mutual funds, two months of fees from one new fund and two days of fees from one new fund, representing $7.3 million, $1.5 million and $31 thousand, respectively. In the three months ended March 31, 2003 we earned a full three months of investment advisory and administration fees from four closed-end mutual funds.

Revenue from closed-end mutual funds increased 138% to $18.6 million in 2003 from $7.8 million in 2002. Revenue from closed-end mutual funds increased 290% to $7.8 million in 2002 from $2.0 million in 2001. In 2003 we earned a full year of investment advisory and administration fees from four closed-end mutual funds and a partial year of fees from one new closed-end mutual fund, representing $12.8 million and $5.8 million, respectively. In 2002 we earned a full year of investment advisory and administration fees from two closed-end mutual funds and a partial year of fees from two new closed-end mutual funds, representing $3.1 million and $4.7 million, respectively. In 2001 we earned a full year of fees from one closed-end mutual fund of $0.7 million, a partial year of fees from one closed-end mutual fund of $0.1 million which was merged into an existing mutual fund in May 2001, and a partial year of fees from one new closed-end mutual fund of $1.2 million.

We pay to various non-affiliated firms ongoing quarterly distribution fees that represent additional underwriting compensation relating to several of the closed-end mutual funds. These fees are based on contractual agreements with the various firms and are based on the average daily net assets of such funds. For the three months ended March 31, 2004 we incurred $1.7 million in distribution fees for three closed-end mutual funds for the full period and $0.4 million in the three months ended March 31, 2003 for two new closed-end mutual funds for part of the period. In 2003, we incurred $3.2 million in distribution fees for three closed-end mutual funds and $0.9 million in 2002 for two closed-end mutual funds. In 2001, we paid a firm a one-time distribution fee in the amount of $1.0 million for one new closed-end mutual fund.

Open-end mutual funds. Investment advisory and administration fees from open-end mutual funds increased 73% to $8.3 million in the three months ended March 31, 2004 from $4.8 million in the three months ended March 31, 2003. During each of the three months ended March 31, 2004 and 2003, we earned these fees from four open-end mutual funds. We also earned distribution and service fees from the load open-end mutual fund. Distribution and service fees from the load open-end mutual fund increased 147% to $2.4 million in the three months ended March 31, 2004 from $1.0 million in the three months ended March 31, 2003. The overall increase in revenue from open-end mutual funds is a result of the increase in the assets we manage. The open-end mutual funds experienced net subscriptions and net appreciation during the three months ended March 31, 2004. As of March 31, 2004, we managed $4.5 billion in open-end mutual fund assets compared to $2.5 billion as of March 31, 2003.

Investment advisory and administration fees from the four open-end mutual funds increased 16% to $24.2 million in 2003 from $20.9 million in 2002 and distribution and service fees from the load open-end mutual fund increased 91% to $5.9 million in 2003 from $3.1 million in 2002. The assets that we managed in open-end mutual funds increased $1.4 billion to $3.9 billion as of December 31, 2003 from $2.5 billion as of December 31, 2002.

Investment advisory and administration fees from four open-end mutual funds increased 16% to $20.9 million in 2002 from $18.0 million in 2001 and distribution and service fees from the load open-end mutual fund increased 176% to $3.1 million in 2002 from $1.1 million in 2001. The assets that we managed in open-end mutual funds increased $137.8 million to $2.5 billion as of December 31, 2002 from $2.3 billion as of December 31, 2001.

We pay to various non-affiliated firms distribution fees, broker dealer fees, shareholder service fees and other similar fees relating to two open-end mutual funds. These fees are based on

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contractual agreements with the various firms and represent payments to firms for the distribution, sale and account maintenance of these open-end mutual funds.

For the three months ended March 31, 2004 and March 31, 2003, we incurred distribution and service fees for open-end mutual funds of $2.5 million and $1.1 million, respectively. In 2003, 2002 and 2001, we incurred distribution and service fees of $5.7 million, $3.9 million and $3.1 million, respectively.

We pay to non-affiliated broker-dealers a commission for the distribution of Cohen & Steers Equity Income Fund's Class B and Class C shares, and for certain purchases of Class A shares. Commissions paid on the Class A shares are expensed as incurred. The Class B share commissions are capitalized and amortized over a period not exceeding six years. The Class C share commissions are capitalized and amortized over a period not exceeding one year. We also record additional amortization expense on the Class B and C shares commensurate with the rate of redemptions of the Class B and C shares of Cohen & Steers Equity Income Fund. For the three months ended March 31, 2004 and March 31, 2003, we paid commissions on Class B and Class C shares of $1.3 million and $0.6 million, respectively, and we recorded amortization expense of $1.1 million and $0.8 million, respectively. In 2003, 2002 and 2001 we paid commissions on Class B and Class C shares of $5.6 million, $4.1 million and $2.1 million, respectively, and we recorded amortization expense of $3.1 million, $1.7 million and $0.5 million, respectively.

Institutional separate accounts. In the three months ended March 31, 2004, investment advisory fees from institutional separate accounts increased 30% to $2.6 million from $2.0 million in the three months ended March 31, 2003. This increase can be attributed to higher levels of assets we manage primarily due to market appreciation. Investment advisory fees from institutional separate accounts decreased by 9% to $8.8 million in 2003 from $9.7 million in 2002. The decrease in fees from 2002 to 2003 was a result of the lower average assets we managed over the period and lower average fee rates. In addition, we lost seven accounts during 2002, which adversely affected our revenues in 2003. Investment advisory fees from institutional separate accounts decreased by 10% to $9.7 million in 2002 from $10.8 million in 2001. This decrease was the result of significant net outflows that we experienced during 2002.

Assets Managed

We have experienced significant growth in the assets we manage 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 open-end mutual funds. We experienced a decline in assets we managed in institutional separate accounts from 2001 to 2002. From December 31, 2000 through March 31, 2004 the assets we managed increased $10.8 billion, or 227%. This $10.8 billion increase in the assets we managed was due to the following factors:

- net appreciation due to a strong market for REIT securities accounted for $4.0 billion, or 37% of the total increase;
- during this period we launched six closed-end mutual funds that collectively raised $6.5 billion in assets, which accounted for 60% of the total increase;
- open-end mutual funds had net inflows of $955.7 million for this period, which accounted for 9% of the total increase; and
- institutional separate accounts experienced net outflows of $709.6 million over this period, which had a 6% negative impact on in our total growth in the assets we managed.

The stock and bond markets were volatile in the second quarter of 2004 amid concerns that the Federal Reserve would raise interest rates in response to economic data that indicate strong growth in the U.S. economy. In particular, real estate stock prices declined by approximately 5.8% during the second quarter of 2004, including a decline of approximately 14.6% in April 2004 as investors may have viewed real estate securities less favorably in a rising interest rate environment where the returns on less risky investments become relatively more attractive. As a result, the real estate securities that we manage decreased to $12.1 billion as of June 30, 2004 from $12.6 billion as of March 31, 2004 and the total assets that we manage decreased to $15.0 billion as of June 30, 2004 from $15.5 billion as of March 31, 2004. For this reason, and because of the increased volatility in the capital markets which results from a changing interest rate environment, rising interest rates could also negatively affect net flows into open-end mutual funds and institutional separate accounts and our ability to offer new closed-end mutual funds. A decline in the assets we manage will negatively affect our revenue and net income.

While we have historically specialized in managing portfolios of real estate securities, and such securities represented 91.8% of the assets we managed as of December 31, 2003, this percentage declined to 80.8% of the assets we managed as of June 30, 2004 as we have diversified our product offerings to include corporate preferred stocks and utility common and preferred stocks. While we remain committed to real estate securities investing, we expect that the assets we manage will continue to include greater amounts of other types of income oriented equity securities.

Changes in the assets we manage can come from two sources—market appreciation (or depreciation) and inflows (or outflows). Market appreciation increases the assets we manage because the share prices of the existing securities we are managing increase. Conversely, the assets we manage decrease as security prices decline. We refer to the net effect of market appreciation and depreciation of the assets that we manage over a period as net appreciation (or net depreciation). Closed-end mutual fund offerings and inflows into open-end mutual funds and institutional separate accounts have the effect of increasing the assets we manage as existing or new clients provide us with more money to manage. Conversely, outflows from open-end mutual funds or institutional separate accounts decrease the assets we manage. We refer to the net effect of inflows and outflows on the assets that we manage over a period as net flows. The following table sets forth information regarding the net flows and appreciation of the assets we managed for the periods presented.

Net Flows and Appreciation of Assets Managed

	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 total assets managed	$ 4,758.5	$ 5,697.5	$ 6,623.8	$ 6,623.8	$ 11,680.1	$ 939.0	$ 926.3	$ 5,056.3
Net flows(1)	647.3	817.7	2,629.4	24.8	2,639.1	170.4	1,811.7	2,624.1
Net appreciation (depreciation)(2)	291.7	108.6	2,426.9	(7.5)	1,220.1	(183.1)	2,318.3	1,217.8
Ending total assets managed	$ 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 closed-end mutual funds assets managed	$ 114.2	$ 600.7	$ 2,114.3	$ 2,114.3	$ 4,790.6	$ 486.5	$ 1,513.6	$ 2,676.3
Net flows(1)	478.6	1,573.1	1,973.5	0.0	2,472.0	1,094.5	400.4	2,472.0
Net appreciation (depreciation)(2)	7.9	(59.5)	702.8	(26.9)	401.9	(67.4)	762.3	428.8
Ending closed-end mutual funds assets managed	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 open-end mutual funds assets managed	2,077.5	2,314.6	2,452.4	2,452.4	3,897.1	237.1	137.8	1,444.7
Total subscriptions(3)	732.3	900.9	1,207.8	156.6	416.1	168.6	306.9	259.5
Total redemptions(4)	(593.6)	(779.6)	(678.9)	(148.9)	(249.3)	(186.0)	100.7	(100.4)

Net appreciation (depreciation)(2)	98.4	16.5	915.8	(0.9)	450.1	(81.9)	899.3	451.0
Ending open-end mutual funds assets managed	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 institutional separate accounts assets managed	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)	(110.3)	(727.5)	1,125.6	(80.5)
Net appreciation (depreciation)(2)	185.4	151.6	808.3	20.3	368.1	(33.8)	656.7	338.0
Ending institutional separate accounts assets managed	2,782.2	2,057.1	2,992.4	2,094.5	3,360.8	(725.1)	935.3	1,266.3
Ending total assets managed	$ 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 total assets managed (%)(5)	13.6%	14.2%	39.8%	0.4%	23.0%			
Total change in total assets managed (%)	19.7%	16.3%	76.3%	0.3%	33.0%			

(1) Net flows are the aggregate net flows in the assets managed during a particular time period. They are comprised of (i) net flows into newly offered closed-end mutual funds or new preferred share offerings from leveraged closed-end mutual funds, (ii) total subscriptions minus total redemptions for open-end mutual funds and (iii) net flows for our institutional separate accounts.

(2) Net appreciation (depreciation) represents the change in market value of assets managed during a particular time period.

(3) Subscriptions are purchases of shares of open-end mutual funds during a particular time period.

(4) Redemptions are sales of shares of open-end mutual funds during a particular time period.

(5) Net flows as a percentage of beginning assets managed is a measure of how much a change in the assets we managed for a given time period is driven by investor decisions, as opposed to market appreciation or depreciation.

The following table sets forth the breakdown of the total assets managed by account and security type as of the dates shown, and the changes in assets managed between such dates.

Assets Managed

	December 31,			March 31,				
	2001	2002	2003	2003	2004	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(1)	$ 2,114.3(2)	$ 4,790.6(3)	$ 2,087.4	$ 7,664.5(4)	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 Managed	$ 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	$ 11,605.5	12%	67%	97%
Utility Common Stocks	—	—	—	—	959.4	n/a	n/a	n/a
Real Estate Preferred Stocks	266.6	597.1	836.0	612.1	996.9	124%	40%	63%
Corporate Preferred Stocks	—	—	683.9	0.0	786.6	n/a	n/a	n/a
Fixed Income	6.2	13.5	109.1	32.6	97.4	118%	708%	199%
Cash and Short-Term Investments	165.3	104.3	158.5	96.6	1,093.5	37%	52%	1,032%
Total Assets Managed	$ 5,697.5	$ 6,623.8	$ 11,680.1	$ 6,641.1	$ 15,539.3	16%	76%	134%

(1) In the year ended December 31, 2001, we established one closed-end mutual fund with initial assets of $479.8 million.

(2) In the year ended December 31, 2002, we established two closed-end mutual funds with aggregate initial assets of $1,522.7 million.

(3) In the year ended December 31, 2003, we established one closed-end mutual fund with initial assets of $1,760.9 million.

(4) In the three months ended March 31, 2004, we established two closed-end mutual funds with aggregate initial assets of $2,932.2 million.

Closed-end mutual funds. The assets we manage in closed-end mutual funds increase through new fund offerings or by net appreciation. The assets we manage in closed-end mutual funds increased 267% to $7.7 billion at March 31, 2004 from $2.1 billion at March 31, 2003. During the three months ended March 31, 2004, we launched two new closed-end mutual funds, Cohen & Steers REIT and Utility Income Fund, Inc. and Cohen & Steers Select Utility Fund, Inc., raising $1,686.1 million and $786.3 million in the assets we manage at March 31, 2004, respectively. We did not launch a new closed-end mutual fund during the three months ended March 31, 2003.

The assets we managed in closed-end mutual funds increased 129% to $4.8 billion at December 31, 2003 from $2.1 billion at December 31, 2002. Of this $2.7 billion increase, $2.0 billion was due to net flows and $0.7 billion was due to net appreciation. During 2003, we launched one new fund, Cohen & Steers REIT and Preferred Income Fund, Inc., consisting of $2.0 billion in assets at December 31, 2003, compared to two closed-end mutual funds launched in 2002, Cohen & Steers Quality Income Realty Fund, Inc. and Cohen & Steers Premium Income Realty Fund, Inc., which consisted of $792.0 million and $671.5 million, respectively, at December 31, 2002. During 2003, three of the closed-end mutual funds also sold $162.3 million in additional preferred shares in three existing closed-end mutual funds compared to $50.2 million in one existing fund in 2002.

The assets we managed in closed-end mutual funds increased 250% to $2.1 billion at December 31, 2002 from $0.6 billion at December 31, 2001. Of this $1.5 billion increase, $1.6 billion was due to net flows and was offset by $0.1 billion from net depreciation over the year. During 2001 we launched Cohen & Steers Advantage Income Realty Fund, Inc. consisting of $476.6 million in assets at December 31, 2001.

Open-end mutual funds. The assets we managed in open-end mutual funds increased 80% to $4.5 billion at March 31, 2004 from $2.5 billion at March 31, 2003.

The assets we managed in open-end mutual funds increased 56% to $3.9 billion at December 31, 2003 from $2.5 billion at December 31, 2002. Of this $1.4 billion increase, 37% is due to net subscriptions and 63% was due to net appreciation. Net subscriptions increased 336% to $528.9 million in 2003 compared to $121.3 million in 2002.

The assets we managed in open-end mutual funds increased 9% to $2.5 billion at December 31, 2002 from $2.3 billion at December 31, 2001. Of this $137.8 million increase, 88% is due to net subscriptions and 12% is due to net appreciation. Net subscriptions decreased 13% to $121.3 million in 2002 compared to $138.7 million in 2001.

Load Open-End Mutual Funds. 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 the no-load open-end mutual funds for which we are the investment advisor. Cohen & Steers Equity Income Fund and Cohen & Steers Utility Fund are the load open-end mutual funds for which we are the investment advisor. The financial impact on us as distributor of the Class A, Class B and Class C shares of our load open-end mutual funds is as follows:

Class A shares: The load open-end mutual funds charge a sales load on Class A share investments at a maximum of 4.5% of the amount invested. As distributor, we retain a small portion of this sales load and pay the remainder to the selling firm. The amount of the sales charge declines as the amount invested increases. There is no sales load on Class A share investments of $1 million or more. Instead, we pay the selling firm, a member of our distribution network, a 1% commission on these purchases at the time of investment. If the investor sells the mutual fund shares within one year of purchase, we receive from the proceeds of the sale a sales charge of 1% of the lesser of value of the shares at the time of the sale or the initial cost of the investment. In addition, the load open-end mutual funds do not assess a sales charge on Class A shares sold to certain investors, including advisors, retirement plan investors and financial planners who place orders for their clients and charge management, consulting or other fees for their services. We collect ongoing shareholder service fees and pay these fees to the selling firms.

Class B shares: Investors in Class B shares of the load open-end mutual funds do not pay a sales charge at the time of investment. However, we pay a commission equal to 4% of the amount invested directly to the selling firm when the investment is made. If the investor sells Class B shares within six years of investment, we receive from the proceeds of the sale a sales charge based on the lesser of the value of the shares at the time of sale or the initial cost of the shares as follows:

Less than 1 year	5.0%
1 to 2 years	4.0%
2 to 4 years	3.0%
4 to 5 years	2.0%
5 to 6 years	1.0%
6 years or more	None

We receive ongoing distribution fees from each mutual fund that over time are intended to reimburse us for the cost of paying the 4% sales charge to the selling firm. We also receive an ongoing service fee that, following the first year of investment, we pay to the selling firm. Class B shares automatically convert to Class A shares in the eighth year after investment.

Class C Shares: Investors in Class C shares of the load open-end mutual funds also do not pay a sales charge at the time of investment. However, we pay a commission equal to 1% of the amount invested directly to the selling firm when the investment is made. If the investor sells Class C shares within one year of investment, we receive from the proceeds of the sale a sales charge of 1% of the lesser of the value of the shares at the time of sale or the initial cost of the shares. In addition, we collect ongoing distribution and shareholder service fees on Class C shares and following the first year of investment we pay these fees to the selling firm.

As load open-end mutual fund assets grow, we expect that the distribution expenses we incur will increase.

The following table sets forth information regarding the composition of 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%

Institutional Separate Accounts. The assets we manage from institutional separate accounts increase by net inflows or by net appreciation. The assets we managed in institutional separate accounts increased 62% to $3.4 billion at March 31, 2004 from $2.1 billion at March 31, 2003.

The assets we managed in institutional separate accounts increased 43% to $3.0 billion at December 31, 2003 from $2.1 billion at December 31, 2002. Of this $935.3 million increase, 14% is derived from net inflows and 86% is derived from net appreciation. Net inflows increased to $127.0 million in 2003 compared to net outflows of $876.7 million in 2002.

The assets we managed in institutional separate accounts decreased 26% to $2.1 billion at December 31, 2002 from $2.8 billion at December 31, 2001. Of this $725.1 million decrease, 121% is derived from net outflows and 21% is derived from net appreciation. Net outflows increased to $876.7 million in 2002 compared to net inflows of $30.0 million in 2001.

March 31, 2004 compared to March 31, 2003. We managed $15.5 billion in assets 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 open-end mutual funds. By product type, at March 31, 2004,

- 49% of the assets we managed 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 the assets we managed 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 the assets we managed at March 31, 2004, compared to 89% of the assets we managed at March 31, 2003. During the three months ended March 31, 2004, two closed-end mutual funds offerings represented our first utility common stock assets we managed. As a result, utility common stocks represented 8% of the assets we managed at March 31, 2004. Real estate preferred and corporate preferred stocks comprised 14% of the assets we managed 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 the assets we managed over the three month period ending March 31, 2004 and 2003.

Net subscriptions into open-end mutual funds were $166.8 million in the three months ended March 31, 2004 compared to $7.7 million in the three months ended March 31, 2003, as subscriptions increased 166% to $416.1 million in the three months ended March 31, 2004 from $156.6 million in the three months ended March 31, 2003 and redemptions increased 67% to $249.3 million in the three months ended March 31, 2004 from $148.9 million in the three months ended March 31, 2003. Market appreciation in the open-end mutual funds was significant and totaled $450.1 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, consistent with the strong real estate securities market during the 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, at March 31, 2004,

- 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, at March 31, 2003:

- 41% by Class C shares,
- 29% by Class A shares,
- 23% by Class B shares, and
- 7% by Class I shares.

2003 compared to 2002. We managed $11.7 billion in assets 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 the first corporate preferred assets we managed and positive net subscriptions into open-end mutual funds. By product type, at December 31, 2003,

- 41% of the assets we managed 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 the assets we managed 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 the assets we managed at December 31, 2003, compared to 89% of the assets we managed at December 31, 2002. Real estate and corporate preferred stocks comprised 13% of the assets we managed 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 the assets we managed over the two-year period ended December 31, 2003.

Net subscriptions into open-end mutual funds were $528.9 million in 2003 compared to $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 $702.8 million, 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. The load mutual fund for which we are the investment advisor, 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, at December 31, 2002:

- 41% by Class C shares,
- 29% by Class A shares,
- 24% by Class B shares, and
- 6% by Class I shares.

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.

2002 compared to 2001. The assets we managed 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 the assets we managed 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 the assets we managed 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 the assets we managed at December 31, 2002, compared to 92% of the assets we managed at December 31, 2001. Real estate preferred securities represented 10% of the assets we managed 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 the total assets we managed over the two-year period ended December 31, 2002.

Net subscriptions into the open-end mutual funds were $121.3 million in 2002 compared to $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 234% over the $478.6 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 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. The load mutual fund for which we are the investment advisor, 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, at December 31, 2001:

- 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.

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 from assisting our clients in raising capital by finding investors willing to invest in these clients' securities. 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 an annual bonus based on the income of the business segment.

The following tables provide a breakdown of Investment Banking's revenue, operating expenses and net income, and of revenue by service area for the years ended December 31, 2001, 2002 and 2003, and for the three months ended March 31, 2003 and 2004.

Summary Investment Banking Income Statement Data

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue	$ 2,853	$ 13,077	$ 11,279	$ 978	$ 4,463
Operating Expenses	4,891	8,964	7,959	1,100	2,992
Net Income (Loss)	(1,770)	3,780	3,204	—	1,376

Investment Banking Revenue

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Mergers & Acquisitions	$ 505	$ 2,067	$ 2,477	$ 587	$ 50
Restructurings	1,891	9,337	4,925	308	—
Capital Raising	457	1,673	3,877	83	4,413
Investment Banking Revenue	$ 2,853	$ 13,077	$ 11,279	$ 978	$ 4,463

Investment Banking operates in a highly competitive environment where there are no long term contracted sources of revenue. Investment Banking assignments are generally in connection with specific capital raising or merger or acquisition transactions or restructuring projects. Because these transactions are singular in nature and are not likely to recur, Investment Banking must seek new assignments when current assignments are successfully completed or are terminated. While each Investment Banking engagement for which a fee is earned is generally highly profitable, only a limited proportion of Investment Banking engagements result in a completed transaction for which a fee is earned. The employees of Investment Banking can spend significant amounts of time on transactions that are not completed and for which no fee will be earned. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any other period and the revenue and profitability of Investment Banking can be very volatile. For example, Investment Banking had net income of $3.2 million on $11.3 million of revenue in 2003, a 13.7% decrease in revenue and a 15.2% decrease in net income as compared to net income of $3.8 million on $13.1 million of revenue in 2002.

The overall economic and market conditions in the U.S. economy as well as the financial performance of our clients can significantly affect Investment Banking's financial performance. Downturns in the economy, the interest rate environment, geopolitical uncertainties, or any slowdown in the real estate related sectors in which Investment Banking conducts business could adversely affect its earnings.

Investment Banking secures new business each year primarily through the relationships of our team of investment banking professionals, business development initiatives and through referrals from directors, attorneys and other parties with whom we have relationships. Over the last three years, Investment Banking completed three transactions for its clients in which Asset Management also maintained client investments. In addition, Asset Management, along with other investors, invested client assets in securities in connection with two capital raising transactions in which Investment Banking acted as placement agent for its clients, resulting in approximately $0.5 million of revenue for Investment Banking.

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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.

Consolidated and Segment Revenue Data

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended
	2001	2002	2003	2003	2004	2002 vs. 2001 (%)	2003 vs. 2002 (%)	March 31, 2004 vs. March 31, 2003 (%)
			($ in thousands)					
Asset Management:								
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.

Consolidated and Segment Operating Expenses Data

	Year Ended December 31,			Three Months Ended March 31,				Three Months Ended
	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 the assets we managed at March 31, 2004 compared to March 31, 2003. This increase in the assets we managed 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 and the low level of Investment Banking revenue.

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 $3.5 million in additional income taxes for the three months ended March 31, 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. The increase in the assets we managed that resulted from these funds' offerings resulted in a revenue increase of $1.4 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 investment advisory and administration fees from open-end mutual funds were $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 $117.1 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. As a result of the increases in the assets we manage in the Cohen & Steers Equity Income Fund, distribution fee revenue increased 151% to $1.8 million in the three months ended March 31, 2004 from $0.7

million in the three months ended March 31, 2003. In addition, shareholder service fee revenue increased 138% to $0.6 million in the three months ended March 31, 2004 from $0.3 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. Growth in net inflows from new closed-end mutual funds contributed to the 372% increase in distribution expenses for closed-end funds to $1.7 million in the three months ended March 31, 2004 from $0.4 million in the three months ended March 31, 2003. Growth in net inflows into the open-end funds contributed to increases in distribution fees, shareholder service fees and other distribution expenses for open-end funds to $1.3 million in the three months ended March 31, 2004 from $0.5 million in the three months ended March 31, 2003. Substantial growth in net inflows into 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 $1.7 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 280% to $0.7 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 six clients during the three months ended March 31, 2004 compared to five clients during the three months ended March 31, 2003. Of the six clients during the three months ended March 31, 2004, four 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 the assets we managed. This increase in the assets we managed 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, director and officer 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 $5 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. The increase in the assets we managed 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 in 2003. The assets we managed increased by $162 million as a result of additional preferred share offerings for three 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 in 2003, compared to the revenue generated by these funds in 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. As a result of the increases in assets we manage in the Cohen & Steers Equity Income Fund, distribution fee revenue increased 96% to $4.3 million in 2003, from $2.2 million in 2002. In addition, shareholder service fee revenue increased 79% to $1.6 million in 2003 from $0.9 million in 2002.

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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 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. The growth in net inflows from new closed-end mutual funds and additional preferred share offerings for existing closed-end mutual funds contributed to the 266% increase in distribution expenses for closed-end mutual funds to $3.2 million in 2003 from $0.9 million in 2002. The growth in net inflows into the open-end funds contributed to the 11% increase in distribution expenses for open-end funds to $2.6 million in 2003 from $2.3 million in 2002. These increases in open-end fund net inflows also accounted for the significant increases in distribution fee, shareholder service fee and other distribution expenses for the open-end funds which increased by 121% to $3.4 million in 2003 from $1.6 million in 2002.

Expenses incurred to operate and maintain our two fractional aircraft interests 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.

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 the assets we managed of $926 million. Investment Banking, revenue increased to $13.1 million in 2002 from $2.9 million in 2001, accounting 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. The increase in assets we managed 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 market preferred shares, respectively. The additional assets 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. As a result of the increases in assets we managed in the Cohen & Steers Equity Income Fund, distribution fee revenue increased 194% to $2.2 million in 2002 from $0.7 million in 2001. In addition, shareholder service fee revenue increased 140% to $0.9 million in 2002 from $0.4 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.

Distribution and service fee expenses increased by 17% to $4.7 million in 2002 from $4.1 million in 2001 primarily as a result of increases in distribution fee, shareholder service fee and other distribution expenses for open-end funds which increased by 78% from $1.6 million in 2002 from $0.9 million in 2001. Distribution expenses for closed-end funds decreased by 13% to $0.9 million in 2002 from $1.0 million in 2001. This decrease resulted from a one-time distribution fee paid during 2001 for one closed-end fund compared to ongoing distribution fees paid for two new closed-end funds during 2002. Distribution expenses for open-end funds remained relatively flat during 2001 and 2002.

In August 2001, we began internally financing the commissions of the Class B shares of Cohen & 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

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 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. Cash, cash equivalents and current accounts receivable from 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.

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:

Summary Statement of Financial Condition Data

	December 31,		
	2002	2003	March 31, 2004
	($ in thousands)		
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

Summary Cash Flow Data

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Operating cash flows	$ 5,759	$ 7,146	$ 10,721	$ 5,367	$ 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)

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 increased 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 we managed 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 we managed 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 the assets we manage. 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, director and officer 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 $0.4 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 property and equipment other than aircraft 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 other than aircraft 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 interests were purchased to reduce overall travel time and to increase the efficiency of business trips by our principals and other executives. We believe these benefits outweigh the expenses incurred to operate and maintain the aircraft.

Purchases of investments in mutual funds for which we are the investment advisor 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 investment for one 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 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 mutual funds, compared to one such seed investment in 2001. The amounts seeded in 2002 and 2003 totaled approximately $0.2 million in each year, compared to $0.1 million in 2001. We anticipate investing in future 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, which are included in financing activities, 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. In connection with the revocation of our S corporation tax status, we expect to make one or more distributions to our current stockholders representing payment of undistributed S corporation accumulated earnings for tax purposes at and through the date of revocation. The aggregate distribution would have been approximately $14 million if the revocation date had been March 31, 2004, and we estimate that the aggregate amount of the distributions will be approximately $24 million. The actual amount of the aggregate distribution will depend on the amount of our earnings through the revocation date. See “Reorganization and S Corporation Status—S Corporation Status.” 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 $5.0 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 1.01% 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 $7.0 million. We plan to repay amounts outstanding under, and terminate, this line of credit prior to the offering and to enter into a new credit agreement that we may use for general corporate purposes.

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 2002 and 2001, 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 $5.0 million and $3.5 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:

Contractual Obligations

	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	1	—	44
Total Contractual Obligations	$ 1,930	$ 2,859	$ 3,851	$ 2,388	$ —	$ 11,029

(1) In May 2004, the conversion date on our $7 million line of credit with State Street Bank was extended until May 18, 2005 at which time it will convert into a three year term loan. We intend to repay the debt and terminate the line of credit prior to the completion of the offering.

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 the assets we manage. 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 the assets we manage 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 the assets we manage in closed-end mutual funds. A significant portion of our recent growth in the assets we manage has resulted from public offerings of the shares of 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 the assets we manage 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 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.

Recently adopted Securities and Exchange Commission rules also will require mutual funds to:

- adopt “fair value” pricing procedures to address time zone arbitrage and to explain both the circumstances under which they will use fair value pricing and the effects of using fair value pricing, all of which is intended to clearly reflect that investment companies are required to use fair value pricing any time that market quotations for portfolio securities are not readily available or are unreliable;

- adopt selective disclosure procedures to protect mutual fund portfolio information, which are intended to provide greater transparency of investment company practices with respect to the disclosure of portfolio holdings and to reinforce investment companies' obligations to prevent the misuse of material, non-public information;

- require mutual funds to provide disclosure in their reports to shareholders regarding the material factors and the conclusions with respect to those factors that formed the basis for the board of director's approval of investment advisory contracts. This disclosure must include factors relating to both the board's selection of the investment advisor, and its approval of the advisory fee and any other amounts to be paid under the investment advisory contract. In addition, the fund will be required to disclose whether the board of directors relied upon comparisons of the services to be rendered and the amounts to be paid under the contract with those under other investment advisory contracts, such as contracts of the same and other investment advisors with other registered investment companies or other types of clients;

- adopt enhanced disclosure regarding discounts on sales loads, pursuant to which an open-end mutual fund will be required to describe in its prospectus arrangements that result in discounts in sales loads and a summary of shareholder eligibility requirements; and

- adopt procedures to ensure compliance with a mutual fund's disclosed market timing policy, which are intended to enable investors to assess the risks, policies and procedures of the investment company in this area and determine whether they are in line with their expectations.

We are working with counsel to the mutual funds for which we are the investment advisor 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 near term material effects 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.

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 the actual assets we manage. Typically, these invoices are not prepared until we reconcile such assets 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 we manage

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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 currently manage twelve mutual funds and, based on fund assets, we are the nation's largest manager of real estate mutual funds. However, we are considered to be a small-sized investment advisory firm within the broader asset management industry. We have historically specialized in managing portfolios of real estate securities, and such securities represented 92% of the assets we managed as of December 31, 2003 and 81% of the assets we managed as of July 31, 2004. Since 2003 we have diversified our business, and we currently focus on managing portfolios of the following types of securities:

- common and preferred stocks of real estate investment trusts;

- corporate preferred stocks, which we began to manage in 2003; and

- common and preferred stocks of utilities, which we began to manage in 2004.

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 mutual funds and investment advisory fees received from institutional separate accounts. These fees are based on contractually specified percentages of the assets of each client's portfolio. Asset Management's revenue fluctuates with changes in the total value of the portfolios and is recognized over the period that the assets are managed.

- *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.

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 assets we managed have increased at a compound annual rate of growth of 35%, to $15.1 billion at July 31, 2004 from $3.8 billion at December 31, 1999. Net income for Asset Management and Investment Banking for the year ended December 31, 2003 was $8.8 million and $3.2 million, respectively. For the three months ended March 31, 2004, net income for Asset Management and Investment Banking was $8.0 million and $1.4 million, respectively. The number of mutual funds for which we are the investment advisor has increased to twelve mutual funds in 2004 from five mutual funds in 1999.

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

Summary Income Statement Data

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Revenue					
Asset Management	$ 32,441	$ 42,169	$ 59,062	$ 10,765	$ 22,846
Investment Banking	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	$ 23,598	$ 37,633	$ 50,510	$ 10,843	$ 14,278
Investment Banking	4,891	8,964	7,959	1,100	2,992
Consolidated Operating Expenses	$ 28,489	$ 46,597	$ 58,469	$ 11,943	$ 17,270
Net Income (Loss)					
Asset Management	$ 8,374	$ 4,656	$ 8,847	$ (115)	$ 7,955
Investment Banking	(1,770)	3,780	3,204	—	1,376
Consolidated Net Income (Loss)	$ 6,604	$ 8,436	$ 12,051	$ (115)	$ 9,331

Asset Management

Asset Management 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 July 31, 2004, we managed $15.1 billion in assets—$7.7 billion in seven closed-end mutual funds, $4.1 billion in five open-end mutual funds and $3.3 billion in 40 institutional separate account portfolios for institutional investors. In addition, as of July 31, 2004, we provided portfolio consulting services for more than $1.4 billion in assets, which we do not include in the assets we manage. Asset Management primarily derives revenue from investment advisory, administration, distribution and service fees received from mutual funds and investment advisory fees received from institutional separate accounts. These fees are based on contractually specified percentages of the net asset value of each client's portfolio. Asset Management had net income of $8.4 million in 2001, $4.7 million in 2002 and $8.8 million in 2003.

Throughout our history we have been innovators in developing income oriented equity portfolios and investment vehicles. For example:

- Our principals, while employed at another firm, organized and managed the first open-end real estate mutual fund in 1985.
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We launched the first closed-end real estate mutual fund in 1988 and the first leveraged, closed-end real estate mutual fund in 2001.

- We were the first firm to offer multiple REIT investment strategies and in 1996 we began managing REIT preferred stock portfolios.

- We have been a leader in offering mutual funds that combine complementary types of securities such as REITs with corporate preferred stocks or REITs with utility common stocks.

- We have developed and maintain the Cohen & Steers Realty Majors Index, which is the basis for the iShares Cohen & Steers Realty Majors Index Fund, the largest exchange traded real estate index fund. An index fund is a type of mutual fund whose investment objective is to achieve the same return as a particular market index.

- We have developed a strategy for leveraged, closed-end mutual funds to reduce their interest rate risk 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 July 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 $241 million in preferred securities. In December 2003, we hired a portfolio manager from a large, well-regarded investment manager to lead our utility securities team. As of July 31, 2004, we managed $1.6 billion in utility common stocks in two closed-end mutual funds and one open-end mutual fund.

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 which are each based on contractually specified percentages of the assets of each client's portfolio.

Asset Management Investment Advisory and Administration Fees

	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%

Closed-End Mutual Funds. The seven closed-end mutual funds for which we are the investment advisor 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.

Closed-end Mutual Fund Investment Advisory and Administration Fees

	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 July 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 July 31, 2004	Year of Inception
		($ in millions)	
Cohen & Steers Total Return Realty Fund, Inc.	RFI	$ 159.2	1993
Cohen & Steers Advantage Income Realty Fund, Inc.	RLF	$ 720.9	2001
Cohen & Steers Quality Income Realty Fund, Inc.	RQI	$ 1,059.0	2002
Cohen & Steers Premium Income Realty Fund, Inc.	RPF	$ 914.7	2002
Cohen & Steers REIT and Preferred Income Fund, Inc.	RNP	$ 1,929.4	2003
Cohen & Steers REIT and Utility Income Fund, Inc.	RTU	$ 1,638.3	2004
Cohen & Steers Select Utility Fund, Inc.	UTF	$ 1,249.4	2004

The closed-end mutual funds adhere to our *Total Return and Equity Income with Leverage* strategy, other than Cohen & Steers Total Return Realty Fund, which adheres to our *Total Return* strategy.

Pursuant to investment advisory agreements:

- we furnish a continuous investment program for each of the closed-end mutual funds for which we act as investment advisor,
- we make day-to-day investment decisions for each fund,
- manage each fund's investments in accordance with such fund's stated policies, and
- subject to the approval of each fund's board of directors, we provide our executive and other officers to serve as officers of the fund.

The investment advisory fees for the closed-end mutual funds for which we are the investment advisor vary based on each closed-end mutual fund's investment objective and strategy, fees charged by other comparable mutual funds and prevailing market conditions at the time each closed-end mutual fund initially offered its shares to the public. Each mutual fund's board of directors, including at least a majority of the mutual fund's independent directors, must determine initially and then each year thereafter that the mutual fund's investment advisory fee is reasonable in relation to the services provided by the investment advisor. In addition, we receive a separate fee for providing administrative services to six of the seven closed-end mutual funds for which we are the investment advisor at a rate that is designed to reimburse us for the cost of providing these services.

For services under the investment advisory agreements, closed-end mutual funds pay us a monthly fee based on a percentage of the assets we manage of each fund. The table below describes each closed-end mutual fund's investment advisory fee that is scheduled to be charged giving effect to the amount of the fee that we have agreed to waive for each year. See “—Fee Waiver and Expense Reimbursement Agreements” below.

Closed-End Fund Investment Advisory Fee Rates

(Actual advisory fee charged or scheduled to be charged as a percentage of managed assets)

Year	Cohen & Steers Advantage Income Realty Fund, Inc. (through 12/31)	Cohen & Steers Quality Income Realty Fund, Inc. (through 12/31)	Cohen & Steers Premium Income Realty Fund, Inc. (through 8/30)	Cohen & Steers REIT and Utility Income Fund, Inc. (through 1/31)	Cohen & Steers Select Utility Fund, Inc. (through 3/31)	Cohen & Steers REIT and Preferred Income Fund, Inc.	Cohen & Steers Total Return Realty Fund, Inc.
2001	0.43%	*	*	*	*	*	0.70%
2002	0.43%	0.53%	0.55%	*	*	*	0.70%
2003	0.43%	0.53%	0.55%	*	*	0.65%	0.70%
2004	0.43%	0.53%	0.55%	0.65%	0.65%	0.65%	0.70%
2005	0.43%	0.53%	0.55%	0.65%	0.65%	0.65%	0.70%
2006	0.50%	0.53%	0.55%	0.65%	0.65%	0.65%	0.70%
2007	0.57%	0.59%	0.55%	0.65%	0.65%	0.65%	0.70%
2008	0.64%	0.65%	0.60%	0.65%	0.65%	0.65%	0.70%
2009	0.71%	0.71%	0.65%	0.65%	0.65%	0.65%	0.70%
2010	0.78%	0.78%	0.70%	0.70%	0.70%	0.65%	0.70%
2011	0.85%	0.83%	0.75%	0.75%	0.75%	0.65%	0.70%
2012	0.85%	0.85%	0.80%	0.80%	0.80%	0.65%	0.70%
2013	0.85%	0.85%	0.80%	0.85%	0.85%	0.65%	0.70%

* Fund not in existence.

Pursuant to administration agreements between us and each closed-end mutual fund, we:

- provide office space and equipment for the fund;
- pay compensation of the fund's officers for services rendered as such;
- supervise the preparation of periodic filings with the Securities and Exchange Commission and state securities administrators;
- supervise the preparation of periodic reports to the fund's shareholders with the Securities and Exchange Commission;
- supervise the daily pricing of the fund's investment portfolio and the publication of the net asset value of the fund's shares, earnings reports and other financial data;
- provide trading desk facilities for the fund; and
- supervise compliance by the fund with recordkeeping requirements under the Securities Act and regulations thereunder.

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 as follows:

Fund	Administration Fees (as % of average daily managed assets)
Cohen & Steers Total Return Realty Fund, Inc.	0.00%
Cohen & Steers Advantage Income Realty Fund, Inc.	0.02%
Cohen & Steers Quality Income Realty Fund, Inc.	0.02%

Cohen & Steers Premium Income Realty Fund, Inc.	0.02%
Cohen & Steers REIT and Preferred Income Fund, Inc.	0.06% up to $1.0 billion 0.04% $1.0 billion to $1.5 billion 0.02% in excess of $1.5 billion
Cohen & Steers REIT and Utility Income Fund, Inc.	0.06% up to $1.0 billion 0.04% $1.0 billion to $1.5 billion 0.02% in excess of $1.5 billion
Cohen & Steers Select Utility Fund, Inc.	0.06% up to $1.0 billion 0.04% $1.0 billion to $1.5 billion 0.02% in excess of $1.5 billion

Each of the closed-end mutual funds for which we are the investment advisor 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 the 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 seven directors. Mr. Cohen and Mr. Steers serve as a director of each fund. The other five members of the board are independent directors. The Securities and Exchange Commission has recently approved a new regulation that will require mutual funds to have independent directors chair their boards of directors, as well as requiring the independent directors, who must constitute 75% of the board's directors, to hold quarterly meetings without fund executives. 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. Pursuant to Securities and Exchange Commission rules, the independent directors of each mutual fund for which we are the investment advisor have sole responsibility for selecting and nominating other independent directors for that mutual fund.

All of the closed-end mutual funds for which we are the investment advisor, other than Cohen & Steers Total Return Realty Fund, are leveraged. Although Cohen & Steers Total Return Realty Fund has the authority to use leverage, 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. 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 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 the risk profile of certain investors.

Open-End Mutual Funds. The open-end mutual funds for which we are the investment advisor 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 the 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.

Open-End Mutual Fund Fee Revenue

	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 July 31, 2004, we provided advisory and administrative services to the following five open-end mutual funds.

Fund	Primary Objective	Assets as of July 31, 2004 ($ in millions)	Year of Inception
Cohen & Steers Realty Shares, Inc.	Total return	$ 1,723.9	1991
Cohen & Steers Special Equity Fund, Inc.	Capital appreciation	35.7	1997
Cohen & Steers Equity Income Fund, Inc.	Income	$ 1,426.5	1997
Cohen & Steers Institutional Realty Shares, Inc.	Total return	$ 880.1	2000
Cohen & Steers Utility Fund, Inc.	Total return	$ 5.2	2004

The annual advisory and administration fees for each of the 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. (2)	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) We have agreed through December 31, 2004 to waive our fees and/or reimburse the expenses of this fund in order to limit the fund's total expense ratio.

As with closed-end mutual funds, pursuant to investment advisory agreements:

- we furnish a continuous investment program for each of the open-end mutual funds for which we are the investment advisor,

- make day-to-day investment decisions for each fund,
- manage each fund's investments in accordance with such fund's stated policies, and
- subject to the approval of each fund's board of directors, we provide our executive and other officers to serve as that fund's officers.

For these services, each of the open-end mutual funds pays us a monthly investment advisory fee based on a percentage of the average daily net asset value of that fund.

The investment advisory fees for the open-end mutual funds for which we are the investment advisor vary based on each open-end mutual fund's investment objective and strategy, the fees charged by other comparable mutual funds and, in certain cases, the nature of the investors to whom the mutual fund is offered. Each mutual fund's board of directors, including at least a majority of the mutual fund's independent directors, must determine initially and then each year thereafter that the mutual fund's investment advisory fee is reasonable in relation to the services provided by the investment adviser. In addition, we receive a separate fee for providing administrative services to each open-end mutual fund at a rate that is designed to reimburse us for the cost of providing these services.

Pursuant to administration agreements between us and each open-end mutual fund, we:

- provide office space and equipment for the fund;
- pay compensation of the fund's officers for services rendered as such;
- supervise the preparation of periodic filings with the Securities and Exchange Commission and state securities administrators;
- supervise the preparation of periodic reports to the fund's shareholders with the Securities and Exchange Commission;
- supervise the daily pricing of the fund's investment portfolio and the publication of the net asset value of the fund's shares, earnings reports and other financial data;
- provide trading desk facilities for the fund; and
- supervise compliance by the fund with recordkeeping requirements under the Securities Act and regulations thereunder.

For these services, each of the open-end mutual funds pays us a monthly administration fee based on a percentage of the fund's average daily net assets. Each of the 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 the 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 the 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.

Each open-end mutual fund board currently consists of seven directors. Mr. Cohen and Mr. Steers serve as a director of each fund. The other five members of the board are independent directors. The Securities and Exchange Commission has recently approved a new regulation that will require mutual funds to have independent directors chair their boards of directors, as well as requiring the independent directors, who must constitute 75% of the board's directors, to hold quarterly meetings without fund executives. 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. Pursuant to Securities and Exchange Commission rules, the independent directors of each mutual fund for which we are the investment advisor have sole responsibility for selecting and nominating other independent directors for that mutual fund.

The investment advisory agreements between us and each mutual fund for which we are the investment advisor are materially similar with one exception. The investment advisory agreement for Cohen & Steers Institutional Realty Shares requires that we pay for the normal operating expenses of that fund from the revenues we receive as that fund's investment advisor. The investment advisory agreements for the other mutual funds do not require that we pay for the normal operating expenses of these mutual funds from the revenues we receive. Instead, these mutual funds pay operating expenses in addition to the investment advisory fees paid to us.

Institutional Separate Accounts. The institutional separate accounts for which we are the investment advisor are portfolios of securities we manage for institutional clients. In each institutional separate account, unlike with the 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. The institutional separate account advisory fee schedules are also subject to wider variation than the mutual funds. Our standard advisory fee schedule for institutional separate account clients investing in real estate securities is based on an annual rate of client assets as follows:

- Accounts with a *Total Return* objective:
  - 0.75% of the first $50 million of assets;
  - 0.50% on the next $50 million of assets;
  - 0.25% on the next $150 million of assets; and
  - 0.20% on assets over $250 million.
- Accounts with an *Equity Income* objective:
  - 0.50% of the first $100 million of assets;
  - 0.25% on the next $150 million of assets; and
  - 0.20% on assets over $250 million.

Investment advisory fees for other types of institutional separate accounts will vary, and investment advisory fees also may vary from these standard schedules. Our investment advisory agreements with the institutional separate account clients are generally terminable upon 60 days' notice.

As of July 31, 2004, there were 40 institutional separate accounts, which held $3.3 billion in assets on behalf of some of the world's largest pension and endowment funds and insurance companies. Of these institutional separate accounts, 18 institutional separate accounts adhere to our *Total Return* strategy, 19 institutional separate accounts for which we are the investment advisor adhere to our *Equity Income* strategy, two institutional separate accounts adhere to our *Special Equity* strategy and one institutional separate account adheres to our *REIT Preferred Stocks* strategy. Revenue from the institutional separate accounts was $8.8 million in 2003 and $9.7 million in 2002.

Sub-advisory and wrap-fee assets are included in the institutional separate account assets. Sub-advisory assets represent accounts for which we have been named as a sub-advisor 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 UIT 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 eight REIT UITs and four preferred stock UITs, which collectively had an aggregate of $504 million in assets as of July 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 $878 million as of July 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.

Agreements to Waive Investment Advisory Fees and Bear Expenses

We reduce the expenses of eight of the twelve mutual funds for which we are the investment advisor by waiving investment advisory fees (which reduces our revenue by an amount equal to the fees waived) or bearing expenses (which increases our expenses by an amount equal to the expenses borne) otherwise payable by these funds. We have contractually agreed with:

- five of the seven closed-end mutual funds for which we are the investment advisor to waive up to 49% of our investment advisory fees for 10 years following the commencement of the fund's operations;
- two of the five open-end mutual funds for which we are the investment advisor to waive our investment advisory fees and/or reimburse the open-end mutual funds so that their expenses do not exceed between 1.15% and 2.15% of their net assets; and
- a third open-end mutual fund, Cohen & Steers Institutional Realty Shares, Inc., to bear all of this fund's operating expenses.

The following table discloses the aggregate investment advisory fees waived and expenses borne for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004.

Investment Advisory Fees Waived/Expenses Borne

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Closed-end mutual fund investment advisory fees waived	$ 1,078	$ 4,660	$ 7,170	$ 1,542	$ 2,620
Open-end mutual fund investment advisory fees waived/ expenses borne	856	846	1,040	235	325
	$ 1,934	$ 5,506	$ 8,210	$ 1,777	$ 2,945

When we waive investment advisory fees or bear expenses otherwise payable by a mutual fund, this provides a direct benefit to the mutual fund investors by lowering the expenses associated with investing in the fund and improving the fund's investment performance. These agreements to waive fees and bear expenses reduce our revenue and increase our expenses, and thereby reduce our operating income, by an amount equal to the fees waived or expenses borne. We agree to waive investment advisory fees and bear expenses payable by a mutual fund because we believe this enhances the sales effort for the fund and thereby increases the assets that we manage.

Although the agreements we have with closed-end mutual funds to waive investment advisory fees otherwise payable by the funds specify that they are to begin to expire in 2006 and continuing through 2012, this would reduce the investment performance of the funds and may not occur. Each of our investment advisory agreements with a mutual fund, including the fees payable under the agreement, is subject, following the initial two year term, to annual approval by the mutual fund's board of directors, including at least a majority of the independent directors.

The following table provides the actual investment advisory fees waived and expenses borne for each mutual fund for which we are the investment advisor for the years ended December 31, 2001, 2002, and 2003 and for the three months ended March 31, 2003 and 2004.

Investment Advisory Fees Waived/Expenses Borne By Mutual Fund

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
			($ in thousands)		
Closed-End Mutual Fund Investment Advisory Fees Waived:					
Cohen & Steers Advantage Income Realty Fund, Inc.	$ 1,078	$ 2,067	$ 2,470	$ 532	$ 771
Cohen & Steers Premium Income Realty Fund, Inc.	—	485	1,877	402	582
Cohen & Steers Quality Income Realty Fund, Inc.	—	2,108	2,823	608	868
Cohen & Steers REIT and Preferred Income Fund, Inc.	—	—	—	—	—
Cohen & Steers REIT and Utility Income Fund, Inc.	—	—	—	—	390