

COHEN & STEERS INC  
Form 10-Q  
May 09, 2008

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

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008**  
**OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**  
**Commission File Number: 001-32236**

**COHEN & STEERS, INC.**

(Exact name of Registrant as specified in its charter)

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|   |  |
|---|--|
| <b>Delaware</b><br>(State or other jurisdiction of<br>incorporation or organization)          | <b>14-1904657</b><br>(I.R.S. Employer<br>Identification No.) |
| <b>280 Park Avenue</b><br><br><b>New York, NY</b><br>(Address of principal executive offices) | <b>10017</b><br>(Zip Code)                                   |
| <b>(212) 832-3232</b><br><br>(Registrant's telephone number, including area code)             |  |

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes  No

The number of shares of the Registrant's common stock, par value \$0.01 per share, outstanding as of May 7, 2008 was 41,509,458.

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## Form 10-Q

## Index

|  | Page |
|--|------|
| <b>Part I. Financial Information</b>   |      |
| Item 1. <u>Financial Statements</u>  | 1    |
| <u>Condensed Consolidated Statements of Financial Condition (Unaudited) as of March 31, 2008 and December 31, 2007</u>           | 1    |
| <u>Condensed Consolidated Statements of Operations (Unaudited) For The Three Months Ended March 31, 2008 and 2007</u>            | 2    |
| <u>Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited) For The Three Months Ended March 31, 2008</u> | 3    |
| <u>Condensed Consolidated Statements of Cash Flows (Unaudited) For The Three Months Ended March 31, 2008 and 2007</u>            | 4    |
| <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>  | 6    |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                             | 14   |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | 22   |
| Item 4. <u>Controls and Procedures</u>   | 23   |
| <b>Part II. Other Information</b>  |      |
| Item 1A. <u>Risk Factors</u>   | 24   |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>   | 24   |
| Item 6. <u>Exhibits</u>  | 24   |
| <u>Signature</u>   | 25   |

Items other than those listed above have been omitted because they are not applicable.

### Forward-Looking Statements

This report and other documents filed by us contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, 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, should, seeks, approximately, predicts, intends, plans, estimates, anticipates or the negative versions of these 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 in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2007, which is accessible on the Securities and Exchange Commission's Web site at <http://www.sec.gov> and on our Web site at [www.cohenandsteers.com](http://www.cohenandsteers.com). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Part I Financial Information****Item 1. Financial Statements****COHEN & STEERS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)**

(in thousands, except share data)

|  | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| Cash and cash equivalents  | \$ 100,853        | \$ 136,971           |
| Marketable securities available-for-sale   | 78,745            | 93,703               |
| Accounts receivable  | 33,924            | 30,112               |
| Income tax receivable  | 23,686            | 2,311                |
| Property and equipment net   | 13,639            | 12,226               |
| Deferred commissions net   | 2,484             | 4,101                |
| Goodwill   | 22,581            | 21,450               |
| Intangible asset net   | 5,891             | 6,340                |
| Deferred income tax asset net  | 8,778             | 20,412               |
| Other assets   | 4,228             | 4,619                |
| <b>Total assets</b>  | <b>\$ 294,809</b> | <b>\$ 332,245</b>    |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                   |                      |
| <b>Liabilities:</b>  |                   |                      |
| Accrued compensation   | \$ 5,694          | \$ 31,343            |
| Deferred rent  | 3,283             | 3,369                |
| Other liabilities and accrued expenses   | 13,892            | 15,618               |
| <b>Total liabilities</b>   | <b>22,869</b>     | <b>50,330</b>        |
| <b>Stockholders equity:</b>  |                   |                      |
| Common stock, \$0.01 par value; 500,000,000 shares authorized; 43,762,445 and 41,142,827 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively | 438               | 411                  |
| Additional paid-in capital   | 327,969           | 310,459              |
| Retained earnings  | 23,117            | 19,567               |
| Accumulated other comprehensive loss, net of tax   | (4,720)           | (3,581)              |
| Less: Treasury stock, at cost, 2,254,777 and 1,153,998 shares at March 31, 2008 and December 31, 2007, respectively  | (74,864)          | (44,941)             |
| <b>Total stockholders equity</b>   | <b>271,940</b>    | <b>281,915</b>       |
| <b>Total liabilities and stockholders equity</b>   | <b>\$ 294,809</b> | <b>\$ 332,245</b>    |

*See notes to condensed consolidated financial statements.*

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share data)

|   | Three Months Ended |                   |
|---|--------------------|-------------------|
|   | March 31,<br>2008  | March 31,<br>2007 |
| <b>Revenue:</b>                                 |                    |                   |
| Investment advisory and administration fees     | \$ 46,643          | \$ 52,156         |
| Distribution and service fees                   | 5,374              | 6,380             |
| Portfolio consulting and other                  | 1,570              | 2,485             |
| Investment banking fees                         | 51                 | 15,746            |
| <b>Total revenue</b>                            | <b>53,638</b>      | <b>76,767</b>     |
| <b>Expenses:</b>                                |                    |                   |
| Employee compensation and benefits              | 17,432             | 22,262            |
| Distribution and service fees                   | 6,622              | 9,267             |
| General and administrative                      | 8,031              | 7,271             |
| Depreciation and amortization                   | 1,106              | 1,671             |
| Amortization, deferred commissions              | 1,996              | 2,070             |
| <b>Total expenses</b>                           | <b>35,187</b>      | <b>42,541</b>     |
| <b>Operating income</b>                         | <b>18,451</b>      | <b>34,226</b>     |
| <b>Non-operating income:</b>                    |                    |                   |
| Interest and dividend income                    | 1,787              | 1,657             |
| Gain from sale of marketable securities net     | 56                 | 195               |
| Foreign currency transaction gain (loss) net    | 355                | (76)              |
| <b>Total non-operating income</b>               | <b>2,198</b>       | <b>1,776</b>      |
| <b>Income before provision for income taxes</b> | <b>20,649</b>      | <b>36,002</b>     |
| <b>Provision for income taxes</b>               | <b>7,649</b>       | <b>13,686</b>     |
| <b>Net income</b>                               | <b>\$ 13,000</b>   | <b>\$ 22,316</b>  |
| <b>Earnings per share:</b>                      |                    |                   |
| Basic   | \$ 0.31            | \$ 0.53           |
| Diluted   | \$ 0.31            | \$ 0.52           |
| <b>Weighted average shares outstanding:</b>     |                    |                   |
| Basic   | 41,903             | 41,983            |
| Diluted   | 42,134             | 42,828            |

See notes to condensed consolidated financial statements.



## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

Three Months Ended March 31, 2008

(in thousands)

|   | Common<br>Stock | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss, Net | Treasury<br>Stock | Total      |
|---|-----------------|----------------------------------|----------------------|--|-------------------|------------|
| <b>Beginning balance, January 1, 2008</b>           | \$ 411          | \$ 310,459                       | \$ 19,567            | \$ (3,581)   | \$ (44,941)       | \$ 281,915 |
| Dividends   |                 |                                  | (9,450)              |  |                   | (9,450)    |
| Issuance of common stock                            | 27              | 398                              |                      |  |                   | 425        |
| Repurchase of common stock                          |                 |                                  |                      |  | (29,923)          | (29,923)   |
| Tax benefits associated with restricted stock units |                 | 13,311                           |                      |  |                   | 13,311     |
| Issuance of restricted stock units                  |                 | 2,150                            |                      |  |                   | 2,150      |
| Amortization of unearned compensation               |                 | 1,783                            |                      |  |                   | 1,783      |
| Actual forfeitures of restricted stock awards       |                 | (132)                            |                      |  |                   | (132)      |
| Net income  |                 |                                  | 13,000               |  |                   | 13,000     |
| Other comprehensive loss, net of taxes              |                 |                                  |                      | (1,139)  |                   | (1,139)    |
| <b>Ending balance, March 31, 2008</b>               | \$ 438          | \$ 327,969                       | \$ 23,117            | \$ (4,720)   | \$ (74,864)       | \$ 271,940 |

See notes to condensed consolidated financial statements.

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

|  | Three Months Ended |                   |
|--|--------------------|-------------------|
|  | March 31,<br>2008  | March 31,<br>2007 |
| Cash flows from operating activities:  |                    |                   |
| Net income   | \$ 13,000          | \$ 22,316         |
| Adjustments to reconcile net income to net cash used in operating activities:  |                    |                   |
| Stock compensation expense   | 1,854              | 2,657             |
| Amortization, deferred commissions   | 1,996              | 2,070             |
| Depreciation and amortization  | 1,106              | 1,671             |
| Deferred rent  | (86)               | 100               |
| Gain from sale of marketable securities  | (56)               | (195)             |
| Deferred income taxes  | 13,885             | 9,263             |
| Foreign currency transaction (gain) loss                                       | (262)              | 30                |
| Changes in operating assets and liabilities:                                   |                    |                   |
| Accounts receivable  | (3,550)            | 224               |
| Deferred commissions   | (379)              | (4,233)           |
| Income tax receivable  | (21,375)           | (22,098)          |
| Other assets   | 391                | 255               |
| Accrued compensation   | (24,022)           | (11,068)          |
| Other liabilities and accrued expenses   | (1,639)            | (1,533)           |
| Net cash used in operating activities  | (19,137)           | (541)             |
| Cash flows from investing activities:  |                    |                   |
| Purchases of marketable securities available-for-sale                          | (10,495)           | (24,783)          |
| Proceeds from sales and maturities of marketable securities available-for-sale | 19,493             | 403               |
| Purchases of property and equipment  | (2,047)            | (2,200)           |
| Net cash provided by (used in) investing activities                            | 6,951              | (26,580)          |
| Cash flows from financing activities:  |                    |                   |
| Excess tax benefit associated with restricted stock awards                     | 13,183             | 26,637            |
| Issuance of common stock   | 359                | 711               |
| Repurchase of common stock   | (29,923)           | (34,594)          |
| Dividends to stockholders  | (9,134)            | (5,481)           |
| Payment of capital lease obligations   | (12)               | (20)              |
| Net cash used in financing activities  | (25,527)           | (12,747)          |
| Net decrease in cash and cash equivalents                                      | (37,713)           | (39,868)          |
| Effect of exchange rate changes  | 1,595              |                   |
| Cash and cash equivalents, beginning of the period                             | 136,971            | 139,360           |
| Cash and cash equivalents, end of the period                                   | \$ 100,853         | \$ 99,492         |

*See notes to condensed consolidated financial statements.*

**COHEN & STEERS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**(UNAUDITED)**

**Supplemental disclosures of cash flow information:**

For the three months ended March 31, 2008 and March 31, 2007, there was no cash paid for interest.

For the three months ended March 31, 2008, the Company paid taxes, net of refunds, of approximately \$1,799,000. For the three months ended March 31, 2007, the Company received cash tax refunds, net of taxes paid, of approximately \$106,000.

**Supplemental disclosures of non-cash investing and financing activities:**

In connection with its stock incentive plan, for the three months ended March 31, 2008 and 2007, the Company issued fully vested restricted stock units in the amount of \$1.8 million and \$2.4 million, respectively. For the three months ended March 31, 2008 and 2007, the Company issued unvested restricted stock units in the amount of \$29.5 million and \$24.4 million, respectively. For the three months ended March 31, 2008 and 2007, forfeitures of restricted stock units totaled \$2.7 million and \$1.7 million, respectively. In addition, for the three months ended March 31, 2008 and 2007, the Company issued restricted stock unit dividend equivalents in the amount of \$316,000 and \$174,000, respectively.

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COHEN & STEERS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

**1. Organization and Description of Business**

Cohen & Steers, Inc. ( CNS ) was organized as a Delaware corporation on March 17, 2004. CNS was formed to be the holding company for Cohen & Steers Capital Management, Inc. ( CSCM ), a New York corporation, and to allow for the issuance of common stock to the public.

The condensed consolidated financial statements set forth herein include the accounts of CNS and its direct and indirect subsidiaries. CNS 's significant wholly-owned subsidiaries are CSCM, Cohen & Steers Securities, LLC ( Securities ) and Cohen & Steers Capital Advisors, LLC ( Advisors and collectively, the Company ). In addition, CNS has direct and indirect wholly-owned subsidiaries in Brussels, Hong Kong and London. All material intercompany balances and transactions have been eliminated in consolidation.

The Company provides investment management services to individual and institutional investors through a broad range of investment vehicles. The Company manages income-oriented equity portfolios specializing in U.S. and international real estate securities, large cap value stocks, utilities and listed infrastructure securities, and preferred securities. The Company also offers private alternative investment strategies, such as hedged real estate securities portfolios and real estate fund of funds. Its clients include Company-sponsored open-end and closed-end mutual funds and domestic corporate and public pension plans, foreign pension plans, endowment funds and individuals. Through its registered broker/dealers, Securities and Advisors, the Company provides distribution services for certain of its funds and investment banking services to companies in real estate and real estate intensive businesses, including healthcare, respectively.

**2. Basis of Presentation and Significant Accounting Policies**

The condensed consolidated financial statements of the Company included herein are unaudited and have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the interim results have been made. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes the estimates used in preparing the condensed consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

The Company 's condensed consolidated financial statements and the related notes should be read together with the consolidated financial statements and the related notes included in the Company 's Annual Report on Form 10-K for the year ended December 31, 2007. Certain prior year amounts have been reclassified to conform to the current year presentation. The amounts related to these reclassifications are not material to the Company 's condensed consolidated financial statements.

*Cash and Cash Equivalents* Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash and have original maturities of three months or less.

*Investments* The management of the Company determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination at each statement of financial condition date. Marketable securities classified as available-for-sale are primarily comprised of highly rated preferred instruments and Company-sponsored open-end and closed-end mutual funds. These investments are carried at

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COHEN & STEERS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

fair value based on quoted market prices, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other than temporary. If the Company believes an impairment on a security position is other than temporary, the loss will be recognized in the Company's statement of operations. Impairments that arise from market conditions and not changes in credit quality are generally considered temporary.

*Goodwill and Intangible Assets* Goodwill represents the excess of the cost of the Company's investment in the net assets of an acquired company over the fair value of the underlying identifiable net assets at the date of acquisition. Goodwill and indefinite lived intangible assets are not amortized but are tested at least annually for impairment by comparing the fair value to their carrying amounts. Finite lived intangible assets are amortized over their useful lives.

*Investment Advisory and Administration Fees* The Company earns revenue by providing asset management services to Company-sponsored open-end and closed-end mutual funds and to institutional separate accounts. This revenue is earned pursuant to the terms of the underlying advisory contract, and is based on a contractual investment advisory fee applied to the assets in the client's portfolio. The Company also earns revenue from administration fees paid by certain Company-sponsored open-end and closed-end mutual funds, based on the average daily net assets of such funds. This revenue is recognized as such fees are earned.

*Investment Banking Fees* Revenue is generally recognized when the transactions are completed, pursuant to the terms of the agreements applicable to each transaction.

*Distribution and Service Fees* Distribution and service fee revenue is earned as the services are performed, based on contractually-predetermined percentages of the average daily net assets of the open-end load mutual funds. Distribution and service fee revenue is recorded gross of any third-party distribution and service fee expense arrangements. The expenses associated with these third-party distribution and service arrangements are recorded as incurred.

*Income Taxes* The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes* (SFAS 109). The Company recognizes the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements using the provisions of the enacted tax laws. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years. The effective tax rate for interim periods represents the Company's best estimate of the effective tax rate expected to be applied to the full fiscal year. The Company adopted the provisions of Financial Standards Accounting Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of SFAS 109, on January 1, 2007. At March 31, 2008, there were no material changes in the unrecognized tax benefits from December 31, 2007.

*Stock-based Compensation* The Company accounts for stock-based compensation awards in accordance with SFAS No. 123(R), *Share-Based Payment* (SFAS 123(R)), which requires public companies to recognize expense for the grant-date fair value of awards of equity instruments granted to employees. This expense is recognized over the period during which employees are required to provide service. SFAS 123(R) also requires the Company to estimate forfeitures.

*Currency Translation* Assets and liabilities of subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the applicable condensed consolidated statement of financial condition date.

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (UNAUDITED)

Revenues and expenses are translated at average exchange rates during the period. The gains or losses resulting from translating non-U.S. dollar functional currency into U.S. dollars are included in accumulated other comprehensive income, net, a component of stockholders' equity. Gains or losses resulting from non-U.S. dollar currency transactions are included in the condensed consolidated statement of operations.

*Recently Issued Accounting Pronouncements* In June 2007, the Emerging Issues Task Force ( EITF ) reached a consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*, ( EITF 06-11 ). EITF 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock units that are expected to vest be recorded as an increase to additional paid-in capital. The consensus reached in EITF 06-11 should be applied prospectively to the income tax benefits of dividends declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The adoption of EITF 06-11 on January 1, 2008 did not have a material impact on the Company's condensed consolidated financial statements.

In February 2007, SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ), which allows companies to elect to measure certain financial assets and liabilities at fair value, was issued. The fair value election can be made on an instrument by instrument basis but is irrevocable once made. SFAS 159 is effective for the 2008 calendar year. At March 31, 2008, the Company did not elect to apply SFAS 159 to any financial assets or liabilities.

In September 2006, SFAS No. 157, *Fair Value Measurements* ( SFAS 157 ), which defines fair value, establishes a framework for measuring fair value, and enhances disclosures about instruments carried at fair value, but does not change existing guidance as to whether or not an instrument should be carried at fair value, was issued. SFAS 157 is effective for the 2008 calendar year. The adoption of SFAS 157 did not have a material impact on the Company's condensed consolidated financial statements.

### 3. Goodwill and Intangible Assets

#### *Goodwill*

Goodwill represents the excess of purchase price over the tangible assets and identifiable intangible assets of an acquired business. At March 31, 2008 and December 31, 2007, goodwill was approximately \$22,581,000 and \$21,450,000, respectively. The Company's goodwill was increased by \$1,131,000 in the three months ended March 31, 2008 as a result of foreign currency revaluation.

#### *Intangible Assets*

The following table details the gross carrying amounts and accumulated amortization for the intangible assets at March 31, 2008 (in thousands):

| (in thousands)                   | Remaining<br>Amortization<br>Period<br>(In Months) | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Intangible<br>Assets, Net |
|----------------------------------|--|-----------------------------|-----------------------------|---------------------------|
| Amortized intangible assets:     |  |                             |                             |                           |
| Non-compete agreements           |  | \$ 15,400                   | \$ (15,400)                 | \$                        |
| Client relationships             | 129  | 3,800                       | (409)                       | 3,391                     |
| Non-amortized intangible assets: |  |                             |                             |                           |
| Mutual fund management contracts |  | 2,500                       |                             | 2,500                     |
| Total                            |  | \$ 21,700                   | \$ (15,809)                 | \$ 5,891                  |



## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Amortization expense related to the intangible assets was approximately \$449,000 and \$1,188,000 for the three months ended March 31, 2008 and 2007, respectively. Estimated future amortization expense is as follows (in thousands):

| Periods Ending December 31, | Estimated<br>Amortization<br>Expense |
|-----------------------------|--------------------------------------|
| 2008                        | \$ 238                               |
| 2009                        | 317                                  |
| 2010                        | 317                                  |
| 2011                        | 317                                  |
| 2012                        | 317                                  |
| Thereafter                  | 1,885                                |
| <b>Total</b>                | <b>\$ 3,391</b>                      |

**4. Investments**

The following is a summary of the cost, gross unrealized gains and losses, and fair value of investments in marketable securities as of March 31, 2008 and December 31, 2007 (in thousands):

|                                    | March 31, 2008<br>Gross Unrealized |                 |                    |                  | December 31, 2007<br>Gross Unrealized |                 |                    |                  |
|------------------------------------|------------------------------------|-----------------|--------------------|------------------|---------------------------------------|-----------------|--------------------|------------------|
|                                    | Cost                               | Gains           | Losses             | Fair<br>Value    | Cost                                  | Gains           | Losses             | Fair<br>Value    |
| Preferred securities               | \$ 47,950                          | \$              | \$ (11,909)        | \$ 36,041        | \$ 60,945                             | \$              | \$ (7,646)         | \$ 53,299        |
| Equities                           | 16,823                             | 828             | (1,384)            | 16,267           | 11,882                                | 427             | (1,174)            | 11,135           |
| Fixed income                       | 4,955                              | 1               | (1,216)            | 3,740            | 5,256                                 |                 | (750)              | 4,506            |
| Company-sponsored mutual funds     | 24,418                             | 789             | (2,510)            | 22,697           | 25,011                                | 1,633           | (1,881)            | 24,763           |
| <b>Total marketable securities</b> | <b>\$ 94,146</b>                   | <b>\$ 1,618</b> | <b>\$ (17,019)</b> | <b>\$ 78,745</b> | <b>\$ 103,094</b>                     | <b>\$ 2,060</b> | <b>\$ (11,451)</b> | <b>\$ 93,703</b> |

Unrealized losses on investments in marketable securities as of March 31, 2008, the majority of which had been in a loss position for less than twelve months, were generally caused by market conditions and not changes in credit quality. The Company has the ability and intent to hold these investments until a recovery of fair value, which may mean until maturity, and to collect all contractual cash flows. Accordingly, impairment of these investments is considered temporary.

Sales proceeds, gross realized gains and losses, and dividend income from investments in marketable securities and Company-sponsored mutual funds for the three months ended March 31, 2008 and 2007 are summarized below (in thousands):

| Investment in<br>Marketable Securities<br>Three Months Ended<br>March 31, |      | Company-Sponsored<br>Mutual Funds<br>Three Months Ended<br>March 31, |      |
|---|------|--|------|
| 2008  | 2007 | 2008   | 2007 |

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|                                    |           |        |        |        |
|------------------------------------|-----------|--------|--------|--------|
| Proceeds from sales and maturities | \$ 19,493 | \$ 403 | \$ 796 | \$ 272 |
| Gross realized gains               | 289       | 195    | 205    | 128    |
| Gross realized losses              | (233)     |        |        |        |
| Dividend income                    | 1,071     | 735    | 50     | 44     |

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (UNAUDITED)

SFAS 157 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about instruments carried at fair value, but does not change existing guidance as to whether or not an instrument should be carried at fair value. SFAS 157 is effective for the 2008 calendar year.

SFAS 157 specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. In accordance with SFAS 157, these classifications are summarized in the three broad levels listed below:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to SFAS 157. The following table presents fair value measurements as of March 31, 2008 (in thousands):

|                                | Level 1   | Level 2  | Level 3 | Total     |
|--------------------------------|-----------|----------|---------|-----------|
| Preferred securities           | \$ 27,141 | \$ 8,900 | \$      | \$ 36,041 |
| Equities                       | 16,267    |          |         | 16,267    |
| Fixed income                   | 3,740     |          |         | 3,740     |
| Company-sponsored mutual funds | 22,697    |          |         | 22,697    |
| Total marketable securities    | \$ 69,845 | \$ 8,900 | \$      | \$ 78,745 |

The investments classified as level 2 in the above table were comprised of auction rate preferred securities.

At March 31, 2008, the Company owned 100 percent of the voting interest of a private investment partnership in which the Company acts as investment manager. This investment partnership is a long-short securities fund launched on March 31, 2008 and was consolidated in the Company's condensed consolidated financial statements.

## 5. Earnings Per Share

Basic earnings per share are calculated by dividing net income by the weighted average shares outstanding. Diluted earnings per share are calculated by dividing net income by the total weighted average shares of common stock outstanding and common stock equivalents. Common stock equivalents are comprised of dilutive potential shares from restricted stock unit awards. Common stock equivalents are excluded from the computation if their effect is anti-dilutive. Diluted earnings per share are computed using the treasury stock method. There were no anti-dilutive common stock equivalents excluded from the computation for the three months ended March 31, 2008 and 2007.



## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three months ended March 31, 2008 and 2007 (in thousands, except per share data):

|  | Three Months Ended March 31, |           |
|--|------------------------------|-----------|
|  | 2008                         | 2007      |
| Net income   | \$ 13,000                    | \$ 22,316 |
| Basic weighted average shares outstanding              | 41,903                       | 41,983    |
| Dilutive potential shares from restricted stock awards | 231                          | 845       |
| Diluted weighted average shares outstanding            | 42,134                       | 42,828    |
| Basic earnings per share                               | \$ 0.31                      | \$ 0.53   |
| Diluted earnings per share                             | \$ 0.31                      | \$ 0.52   |

**6. Income Taxes**

In accordance with SFAS 109, recognition of tax benefits or expenses is required for temporary differences between book and tax bases of assets and liabilities.

Deferred income taxes represent the tax effects of the temporary differences between book and tax bases and are measured using enacted tax rates that will be in effect when such items are expected to reverse. The provision for income taxes for the three months ended March 31, 2008 includes U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 37%, which represents management's best estimate of the rate expected to be applied to the full fiscal year of 2008.

The Company's deferred tax asset is primarily comprised of future income tax deductions attributable to the delivery of unvested restricted stock units as well as unrealized losses from investments in marketable securities. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized.

The Company adopted FIN 48, an interpretation of SFAS 109, on January 1, 2007. At March 31, 2008, there were no material changes in the unrecognized tax benefits from December 31, 2007.

**7. Comprehensive Income**

Total comprehensive income includes net income and other comprehensive income, net of tax. The components of comprehensive income for the three months ended March 31, 2008 and 2007 are as follows (in thousands):

|   | Three Months<br>Ended March 31, |           |
|---|---------------------------------|-----------|
|   | 2008                            | 2007      |
| Net income  | \$ 13,000                       | \$ 22,316 |
| Foreign currency translation gain adjustment                            | 2,753                           | 213       |
| Net unrealized (loss) gain on available-for-sale securities, net of tax | (3,925)                         | 408       |

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|  |           |           |
|--|-----------|-----------|
| Reclassification of realized gain on available-for-sale securities, net of tax | 33        | 116       |
| Total comprehensive income   | \$ 11,861 | \$ 23,053 |

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

**8. Regulatory Requirements**

Securities and Advisors, registered broker/dealers in the U.S., are subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires that broker/dealers maintain a minimum level of net capital, as defined. As of March 31, 2008, Securities and Advisors had net capital of approximately \$8,782,000 and \$20,819,000, respectively, which exceeded their requirements by approximately \$8,530,000 and \$20,396,000, respectively. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital of a broker/dealer is less than the amount required under the Rule.

Securities and Advisors do not carry customer accounts and are exempt from the SEC's Rule 15c3-3 pursuant to provisions (k)(1) and (k)(2)(i) of such rule, respectively.

The non-U.S. subsidiaries of the Company are regulated outside the U.S. by the Hong Kong Securities and Futures Commission, the United Kingdom Financial Securities Authority, and the Belgium Banking, Finance and Insurance Commission (collectively, the "Foreign Regulated Entities"). As of March 31, 2008, the Foreign Regulated Entities had aggregate minimum regulatory capital requirements of approximately \$3,564,000 and the Foreign Regulated Entities exceeded those requirements by approximately \$22,039,000.

**9. Related Party Transactions**

The Company is an investment advisor to, and has administrative agreements with, affiliated open-end and closed-end mutual funds for which certain employees are officers and/or directors. The following table sets forth the amount of revenue the Company earned from these affiliated funds for the three months ended March 31, 2008 and 2007 (in thousands):

|   | <b>Three Months<br/>Ended March 31,</b> |                  |
|---|---|------------------|
|   | <b>2008</b>                             | <b>2007</b>      |
| Investment advisory and administration fees | \$ 35,694                               | \$ 41,606        |
| Distribution and service fees               | 5,374                                   | 6,380            |
|   | <b>\$ 41,068</b>                        | <b>\$ 47,986</b> |

For the three months ended March 31, 2008 and 2007, the Company had investment advisory agreements with certain affiliated closed-end mutual funds, pursuant to which the Company contractually waived approximately \$3,477,000 and \$5,044,000, respectively, of advisory fees it was otherwise entitled to receive. These investment advisory agreements contractually require the Company to waive a portion of the advisory fees the Company otherwise would charge for up to ten years from the respective fund's inception date. The board of directors of these mutual funds must approve the renewal of the advisory agreements each year, including any reduction in advisory fee waivers scheduled to take effect during that year. As of March 31, 2008, such scheduled reductions in advisory fee waivers were effective for four funds.

The Company has agreements with certain affiliated open-end and closed-end mutual funds to reimburse certain fund expenses. For the three months ended March 31, 2008 and 2007, expenses of approximately \$1,159,000 and \$923,000 respectively, were incurred by the Company pursuant to these agreements and are included in general and administrative expenses.

## COHEN &amp; STEERS, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Included in accounts receivable at March 31, 2008 and December 31, 2007 are receivables due from Company-sponsored mutual funds of approximately \$13,605,000 and \$15,145,000, respectively.

See Note 4 relating to investments in Company-sponsored mutual funds.

**10. Segment Reporting**

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes disclosure requirements relating to operating segments in the condensed consolidated financial statements. The Company operates in two business segments: Asset Management and Investment Banking. The Company's reporting segments are strategic divisions that offer different services and are managed separately, as each division requires different resources and marketing strategies.

The Company does not record revenue between segments (referred to as inter-segment revenue).

The Company evaluates performance of its segments based on profit or loss from operations before taxes. Information on the condensed consolidated statement of financial condition data by segment is not disclosed because it is not used in evaluating segment performance and deciding how to allocate resources to segments.

Summarized financial information for the Company's reportable segments is presented in the following tables (in thousands):

|   | Three Months Ended |                   |
|---|--------------------|-------------------|
|   | March 31,<br>2008  | March 31,<br>2007 |
| <b><u>Asset Management</u></b>                  |                    |                   |
| Total revenue                                   | \$ 53,587          | \$ 61,021         |
| Total expenses                                  | (33,450)           | (35,674)          |
| Net non-operating income                        | 2,009              | 1,489             |
| <br>  |                    |                   |
| Income before provision for income taxes        | \$ 22,146          | \$ 26,836         |
| <br><b><u>Investment Banking</u></b>            |                    |                   |
| Total revenue                                   | \$ 51              | \$ 15,746         |
| Total expenses                                  | (1,737)            | (6,867)           |
| Net non-operating income                        | 189                | 287               |
| <br>  |                    |                   |
| (Loss) income before provision for income taxes | \$ (1,497)         | \$ 9,166          |
| <br><b><u>Total</u></b>                         |                    |                   |
| Total revenue                                   | \$ 53,638          | \$ 76,767         |
| Total expenses                                  | (35,187)           | (42,541)          |
| Net non-operating income                        | 2,198              | 1,776             |
| <br>  |                    |                   |
| Income before provision for income taxes        | \$ 20,649          | \$ 36,002         |

**11. Subsequent Event**

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On May 9, 2008, CNS declared a quarterly cash dividend on its common stock in the amount of \$0.22 per share. The dividend will be payable on June 27, 2008 to stockholders of record at the close of business on June 4, 2008.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Set forth on the following pages is management's discussion and analysis of our financial condition and results of operations for the three months ended March 31, 2008 and March 31, 2007. Such information should be read in conjunction with our condensed consolidated financial statements together with the notes to the condensed consolidated financial statements. The interim condensed consolidated financial statements of the Company, included herein, are unaudited. When we use the terms Cohen & Steers, the Company, we, us, and our, we mean Cohen & Steers, Inc., a Delaware corporation, and its consolidated subsidiaries.

**Overview**

We are a manager of income-oriented equity portfolios specializing in U.S. and international real estate securities, large cap value stocks, utilities and listed infrastructure securities, and preferred securities. We also offer private alternative investment strategies, such as hedged real estate securities portfolios and real estate fund of funds. We serve individual and institutional investors through a broad range of investment vehicles. As a complement to our asset management business, we also provide investment banking services to companies in real estate and real estate intensive businesses, including healthcare.

**Assets Under Management**

We manage three types of accounts: closed-end mutual funds, open-end load and no-load mutual funds and institutional separate accounts.

The following table sets forth information regarding the net flows and appreciation/(depreciation) of assets under management for the periods presented (in millions):

|   | <b>Three Months Ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2008</b> | <b>March 31,<br/>2007</b> |
| <b><u>Closed-End Mutual Funds</u></b>               |                           |                           |
| <b>Assets under management, beginning of period</b> | \$ 10,274                 | \$ 11,391                 |
| Inflows   |                           | 202                       |
| Market (depreciation) appreciation                  | (550)                     | 149                       |
| <b>Total (decrease) increase</b>                    | <b>(550)</b>              | <b>351</b>                |
| <b>Assets under management, end of period</b>       | <b>\$ 9,724</b>           | <b>\$ 11,742</b>          |
| <b><u>Open-End Mutual Funds</u></b>                 |                           |                           |
| <b>Assets under management, beginning of period</b> | \$ 8,900                  | \$ 9,575                  |
| Inflows   | 888                       | 2,366                     |
| Outflows  | (1,131)                   | (792)                     |
| Net (outflows) inflows                              | (243)                     | 1,574                     |
| Market (depreciation) appreciation                  | (225)                     | 331                       |
| <b>Total (decrease) increase</b>                    | <b>(468)</b>              | <b>1,905</b>              |
| <b>Assets under management, end of period</b>       | <b>\$ 8,432</b>           | <b>\$ 11,480</b>          |
| <b><u>Institutional Separate Accounts</u></b>       |                           |                           |
| <b>Assets under management, beginning of period</b> | \$ 10,612                 | \$ 8,930                  |
| Inflows   | 317                       | 1,658                     |
| Outflows  | (600)                     | (559)                     |
| Net (outflows) inflows                              | (283)                     | 1,099                     |
| Market appreciation                                 | 85                        | 301                       |
| <b>Total (decrease) increase</b>                    | <b>(198)</b>              | <b>1,400</b>              |
| <b>Assets under management, end of period</b>       | <b>\$ 10,414</b>          | <b>\$ 10,330</b>          |
| <b><u>Total</u></b>                                 |                           |                           |
| <b>Assets under management, beginning of period</b> | \$ 29,786                 | \$ 29,896                 |
| Inflows   | 1,205                     | 4,226                     |
| Outflows  | (1,731)                   | (1,351)                   |
| Net (outflows) inflows                              | (526)                     | 2,875                     |
| Market (depreciation) appreciation                  | (690)                     | 781                       |

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|   |           |           |
|---|-----------|-----------|
| Total (decrease) increase                     | (1,216)   | 3,656     |
| <b>Assets under management, end of period</b> | \$ 28,570 | \$ 33,552 |

Assets under management were \$28.6 billion at March 31, 2008, a 15% decrease from \$33.6 billion at March 31, 2007. The decrease was a result of market depreciation of \$7.0 billion partially offset by net inflows of \$2.0 billion.

*Closed-end mutual funds*

Closed-end mutual fund assets under management decreased 17% to \$9.7 billion at March 31, 2008, compared with \$11.7 billion at March 31, 2007. The decrease in assets under management was attributable to market depreciation of \$2.5 billion partially offset by inflows led by the launch of Cohen & Steers Global Income Builder, Inc. ( INB ), which raised \$534 million, including leverage.

Closed-end mutual funds had no inflows in the three months ended March 31, 2008, compared with \$202 million in the three months ended March 31, 2007. Market depreciation was \$550 million in the three months ended March 31, 2008, compared with market appreciation of \$149 million in the three months ended March 31, 2007.

*Open-end mutual funds*

Open-end mutual fund assets under management decreased 27% to \$8.4 billion at March 31, 2008 from \$11.5 billion at March 31, 2007. The decrease in assets under management was due to market depreciation of \$2.4 billion and net outflows of \$693 million.

Net outflows for open-end mutual funds were \$243 million in the three months ended March 31, 2008, compared with net inflows of \$1.6 billion in the three months ended March 31, 2007. Gross inflows were \$888 million in the three months ended March 31, 2008, compared with \$2.4 billion in the three months ended March 31, 2007. Gross outflows totaled \$1.1 billion in the three months ended March 31, 2008, compared with \$792 million in the three months ended March 31, 2007. Market depreciation was \$225 million in the three months ended March 31, 2008, compared with market appreciation of \$331 million in the three months ended March 31, 2007.

*Institutional separate accounts*

Institutional separate account assets under management increased 1% to \$10.4 billion at March 31, 2008 from \$10.3 billion at March 31, 2007. The increase in assets under management was due to net inflows of \$2.2 billion partially offset by market depreciation of \$2.1 billion.

Institutional separate accounts had net outflows of \$283 million in the three months ended March 31, 2008, compared with net inflows of \$1.1 billion in the three months ended March 31, 2007. Gross inflows were \$317 million in the three months ended March 31, 2008, compared with \$1.7 billion in the three months ended March 31, 2007. Gross outflows totaled \$600 million in the three months ended March 31, 2008, compared with \$559 million in the three months ended March 31, 2007. Market appreciation was \$85 million in the three months ended March 31, 2008, compared with market appreciation of \$301 million in the three months ended March 31, 2007.

**Results of Operations*****Three Months Ended March 31, 2008 compared with Three Months Ended March 31, 2007***

The following table of selected financial data presents our business segments in a manner consistent with the way that we manage our businesses (in thousands):

|   | <b>Three Months Ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 31,<br/>2008</b> | <b>March 31,<br/>2007</b> |
| <b><u>Asset Management</u></b>                  |                           |                           |
| Total revenue                                   | \$ 53,587                 | \$ 61,021                 |
| Total expenses                                  | (33,450)                  | (35,674)                  |
| Net non-operating income                        | 2,009                     | 1,489                     |
| <br>  |                           |                           |
| Income before provision for income taxes        | \$ 22,146                 | \$ 26,836                 |
| <br>  |                           |                           |
| <b><u>Investment Banking</u></b>                |                           |                           |
| Total revenue                                   | \$ 51                     | \$ 15,746                 |
| Total expenses                                  | (1,737)                   | (6,867)                   |
| Net non-operating income                        | 189                       | 287                       |
| <br>  |                           |                           |
| (Loss) income before provision for income taxes | \$ (1,497)                | \$ 9,166                  |
| <br>  |                           |                           |
| <b><u>Total</u></b>                             |                           |                           |
| Total revenue                                   | \$ 53,638                 | \$ 76,767                 |
| Total expenses                                  | (35,187)                  | (42,541)                  |
| Net non-operating income                        | 2,198                     | 1,776                     |
| <br>  |                           |                           |
| Income before provision for income taxes        | \$ 20,649                 | \$ 36,002                 |

**Revenue**

Total revenue decreased 30% to \$53.6 million in the three months ended March 31, 2008 from \$76.8 million in the three months ended March 31, 2007. This decrease was primarily attributable to lower investment banking fees and lower investment advisory and administrative fees attributable to lower average assets under management.

***Asset Management******Revenue***

Revenue decreased 12% to \$53.6 million in the three months ended March 31, 2008 from \$61.0 million in the three months ended March 31, 2007. Investment advisory and administration fees decreased 11% to \$46.6 million in the three months ended March 31, 2008 from \$52.2 million in the three months ended March 31, 2007.

In the three months ended March 31, 2008, total investment advisory and administration revenue from closed-end mutual funds decreased 9% to \$17.6 million from \$19.3 million in the three months ended March 31, 2007. The decrease in closed-end mutual fund revenue was attributable to lower levels of average daily net assets resulting from market depreciation, partially offset by inflows from the launch of INB.

In the three months ended March 31, 2008, total investment advisory and administration revenue from open-end mutual funds decreased 19% to \$18.1 million from \$22.3 million in the three months ended March 31, 2007. The decrease was attributable to lower levels of average daily net assets resulting from market depreciation and net outflows.



In the three months ended March 31, 2008, total investment advisory and administration revenue from institutional separate accounts increased 4% to \$10.9 million from \$10.6 million in the three months ended March 31, 2007. The increase was attributable to slightly higher levels of assets under management resulting from net inflows partially offset by market depreciation.

Distribution and service fee revenue decreased 16% to \$5.4 million in the three months ended March 31, 2008 from \$6.4 million in the three months ended March 31, 2007. This decrease in distribution and service fee revenue was primarily due to decreased assets under management in Cohen & Steers Realty Income Fund.

#### *Expenses*

Total operating expenses decreased 6% to \$33.5 million in the three months ended March 31, 2008 from \$35.7 million in the three months ended March 31, 2007, primarily due to decreases in distribution and service fees and depreciation and amortization, partially offset by an increase in general and administrative expenses.

Distribution and service fee expenses decreased 29% to \$6.6 million in the three months ended March 31, 2008 from \$9.3 million in the three months ended March 31, 2007. This decrease in distribution and service fee expense was primarily due to decreased assets under management.

General and administrative expenses increased 12% to \$7.8 million in the three months ended March 31, 2008 from \$6.9 million in the three months ended March 31, 2007. This increase was primarily attributable to higher rent expense associated with the lease of additional space at our corporate headquarters and higher information technology expenses partially offset by lower travel and entertainment expenses.

Depreciation and amortization decreased 22% to \$1.0 million in the three months ended March 31, 2008 from \$1.2 million in the three months ended March 31, 2007. This decrease was primarily due to a reduction in amortization expense associated with the intangible asset attributable to non-compete agreements established in connection with our initial public offering, which fully amortized in January 2008.

#### *Non-operating Income*

Non-operating income increased by 35% to \$2.0 million in the three months ended March 31, 2008 from \$1.5 million in the three months ended March 31, 2007. This increase was primarily attributable to increased interest and dividends due to higher levels of cash and cash equivalents and marketable securities and a gain from foreign currency transactions partially offset by a lower gain from the sale of marketable securities.

#### ***Investment Banking***

##### *Revenue*

Revenue decreased to \$51,000 in the three months ended March 31, 2008 from \$15.7 million in the three months ended March 31, 2007. Revenue from investment banking activity is primarily dependent on the completion of transactions, the timing of which cannot be predicted.

##### *Expenses*

Total operating expenses decreased 75% to \$1.7 million in the three months ended March 31, 2008 from \$6.9 million in the three months ended March 31, 2007, primarily due to decreases in employee compensation and benefits and depreciation and amortization expenses.

Employee compensation and benefits expense decreased 78% to \$1.3 million in the three months ended March 31, 2008 from \$6.1 million in the three months ended March 31, 2007. This was primarily due to decreased production based compensation resulting from less banking fees generated during the quarter.

Depreciation and amortization decreased 66% to \$153,000 in the three months ended March 31, 2008 from \$456,000 in the three months ended March 31, 2007. This decrease was primarily due to a reduction in amortization expense associated with the intangible asset attributable to non-compete agreements established in connection with our initial public offering, which fully amortized in January 2008.

#### *Non-operating Income*

Non-operating income decreased by 34% to \$189,000 in the three months ended March 31, 2008 from \$287,000 in the three months ended March 31, 2007. This decrease was attributable to lower interest and dividends due to lower levels of cash and cash equivalents.

#### **Income Taxes**

We recorded an income tax expense of \$7.6 million in the three months ended March 31, 2008, compared with an income tax expense of \$13.7 million in the three months ended March 31, 2007. The provision for income taxes in the three months ended March 31, 2008 includes U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 37%, which represents management's best estimate of the rate expected to be applied to the full fiscal year of 2008. The effective tax rate for the three months ended March 31, 2007 was approximately 38%.

#### **Liquidity and Capital Resources**

Our investment advisory business does not require us to maintain significant capital balances. Our current financial condition is highly liquid, with a significant amount of our assets comprised of cash and cash equivalents and marketable securities. Our cash flows generally result from the operating activities of our business segments, with investment advisory and administrative fees being the most significant contributor. Cash, cash equivalents, accounts receivable and marketable securities were 72% and 78% of total assets as of March 31, 2008 and December 31, 2007, respectively. The decrease was primarily attributable to cash payments made to repurchase common stock to satisfy employee withholding tax obligations on the delivery of restricted stock units. Included in the marketable securities were \$8.9 million of auction rate preferred securities which were classified as level 2 investments in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 157, *Fair Value Measurements* ( SFAS 157 ) at March 31, 2008. See Note 4 of the condensed consolidated financial statements relating to investments in auction rate preferred securities.

Cash and cash equivalents decreased by \$37.7 million, excluding the effect of exchange rate changes, in the three months ended March 31, 2008. Net cash used in operating activities was \$19.1 million in the three months ended March 31, 2008. Net cash of \$7.0 million was provided by investing activities, primarily from the proceeds from sales and maturities of marketable securities in the amount of \$19.5 million, partially offset by the purchase of \$10.5 million of marketable securities and the purchase of \$2.0 million of property and equipment. Cash of \$25.5 million was used in financing activities, primarily for the repurchase of common stock of \$29.9 million to satisfy employee withholding tax obligations on the delivery of restricted stock units and dividends paid to stockholders of \$9.1 million, partially offset by an excess tax benefit associated with restricted stock awards of \$13.2 million.

Cash and cash equivalents decreased by \$39.9 million in the three months ended March 31, 2007. Net cash used in operating activities was \$0.5 million in the three months ended March 31, 2007. Cash of \$26.6 million was used in investing activities, primarily for the purchase of marketable securities in the amount of \$24.8 million and purchase of property and equipment of \$2.2 million. Net cash of \$12.7 million was used in financing activities, primarily for \$34.6 million of repurchase of common stock to satisfy employee withholding tax obligations on the delivery of restricted stock units and dividends paid to stockholders of \$5.5 million, partially offset by \$26.6 million of an excess tax benefit associated with restricted stock awards.

It is our policy to continuously monitor and evaluate the adequacy of our capital. We have consistently maintained net capital in excess of the regulatory requirements for our broker/dealers, as prescribed by the Securities and Exchange Commission ( SEC ). At March 31, 2008, we exceeded our aggregate minimum regulatory capital requirements by \$28.9 million. The SEC 's Uniform Net Capital Rule 15c3-1 imposes certain requirements that may have the effect of prohibiting a broker/dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. Our non-U.S. subsidiaries are regulated outside the U.S. by the Hong Kong Securities and Future Commission, the United Kingdom Financial Securities Authority, and the Belgium Banking, Finance and Insurance Commission. At March 31, 2008, our non-U.S. subsidiaries exceeded their aggregate minimum regulatory requirements by \$22.0 million. We believe that our cash flows from operations will be more than adequate to meet our anticipated capital requirements and other obligations as they become due.

### Contractual Obligations

We have contractual obligations to make future payments in connection with our non-cancelable operating lease agreements for office space and capital leases for office equipment. The following summarizes our contractual obligations as of March 31, 2008 (in thousands):

|                                | 2008     | 2009     | 2010     | 2011     | 2012     | 2013<br>and after | Total     |
|--------------------------------|----------|----------|----------|----------|----------|-------------------|-----------|
| Operating leases               | \$ 5,190 | \$ 6,855 | \$ 6,976 | \$ 6,973 | \$ 7,143 | \$ 9,373          | \$ 42,510 |
| Capital lease obligations, net | 32       | 28       | 3        |          |          |                   | 63        |
| Total contractual obligations  | \$ 5,222 | \$ 6,883 | \$ 6,979 | \$ 6,973 | \$ 7,143 | \$ 9,373          | \$ 42,573 |

### 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 unaudited condensed consolidated financial statements.

### Critical Accounting Policies and Estimates

The preparation of our condensed 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.

A thorough understanding of our accounting policies is 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 condensed consolidated financial statements. For a summary of these and additional accounting policies, see the notes to the annual audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007.

### Investments

Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination at each statement of financial condition date. Marketable securities classified as available-for-sale are primarily comprised of investments in highly rated preferred instruments and in our sponsored

open-end and closed-end mutual funds. These investments are carried at fair value based on quoted market prices, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income. We periodically review each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other than temporary. If we believe an impairment on a security position is other than temporary, the loss will be recognized in our condensed consolidated statement of operations. Impairments that arise from changes in market conditions and not credit quality are generally considered temporary.

#### ***Goodwill and Intangible Assets***

Goodwill represents the excess of the cost of our investment in the net assets of an acquired company over the fair value of the underlying identifiable net assets at the date of acquisition. Goodwill and indefinite lived intangible assets are not amortized but are tested at least annually for impairment by comparing the fair value to their carrying amount. Finite lived intangible assets are amortized over their useful lives.

#### ***Income Taxes***

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* ( SFAS 109 ). We recognize the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements using the provisions of the enacted tax laws. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years. The effective tax rate for interim periods represents our best estimate of the effective tax rate expected to be applied to the full fiscal year. We adopted the provisions of Financial Standards Accounting Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ), an interpretation of SFAS 109, on January 1, 2007. At March 31, 2008, there were no material changes in the unrecognized tax benefits from December 31, 2007.

#### ***Stock-based Compensation***

We account for stock-based compensation awards in accordance with SFAS No. 123(R), *Share-Based Payment* ( SFAS 123(R) ), which requires public companies to recognize expense for the grant-date fair value of awards of equity instruments granted to employees. This expense is recognized over the period during which employees are required to provide service. SFAS 123(R) also requires us to estimate forfeitures.

#### ***Recently Issued Accounting Pronouncements***

In June 2007, the Emerging Issues Task Force ( EITF ) reached a consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*, ( EITF 06-11 ). EITF 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock units that are expected to vest be recorded as an increase to additional paid-in capital. The consensus reached in EITF 06-11 should be applied prospectively to the income tax benefits of dividends declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The adoption of EITF 06-11 on January 1, 2008 did not have a material impact on our condensed consolidated financial statements.

In February 2007, SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ), which allows companies to elect to measure certain financial assets and liabilities at fair value, was issued. The fair value election can be made on an instrument by instrument basis but is irrevocable once made. SFAS 159 is effective for the 2008 calendar year. At March 31, 2008, we did not elect to apply SFAS 159 to any financial assets or liabilities.

In September 2006, SFAS 157, which defines fair value, establishes a framework for measuring fair value, and enhances disclosures about instruments carried at fair value, but does not change existing guidance as to

whether or not an instrument should be carried at fair value, was issued. SFAS 157 is effective for the 2008 calendar year. The adoption of SFAS 157 did not have a material impact on our condensed consolidated financial statements.

### Forward-Looking Statements

This report and other documents filed by us contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, 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, should, seeks, approximately, predicts, intends, plans, estimates, anticipates or the negative versions of these 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 in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2007, which is accessible on the Securities and Exchange Commission's Web site at <http://www.sec.gov> and on Cohen & Steers' Web site at [www.cohenandsteers.com](http://www.cohenandsteers.com). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

### ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of our business, we are exposed to the risk of interest rate, securities market and general economic fluctuations, which may have an adverse impact on the value of our marketable securities. At March 31, 2008, approximately \$22.7 million was invested in our sponsored equity funds. We had approximately \$36.0 million invested in preferred securities, \$16.3 million invested in foreign and domestic equities and \$3.7 million invested in fixed income instruments as of March 31, 2008.

In addition, a significant majority of our revenue approximately 87% and 68% for the three months ended March 31, 2008 and 2007, respectively, 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. 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.

As of March 31, 2008, 46% of the assets we managed were concentrated in U.S. real estate common stocks. 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.

**ITEM 4. Controls and Procedures**

Our management, including our co-chief executive officers and our chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2008. Based on that evaluation, our co-chief executive officers and chief financial officer have concluded that our disclosure controls and procedures as of March 31, 2008 were effective.

There has been no change in our internal control over financial reporting that occurred during the three months ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Part II Other Information****ITEM 1A. Risk Factors**

For a discussion of our potential risks and uncertainties, please see Part 1, Item 1A of our 2007 Annual Report on Form 10-K filed with the SEC. There have been no material changes to the risk factors disclosed in Part 1, Item 1A of our 2007 Annual Report on Form 10-K.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the three months ended March 31, 2008, we made the following purchases of our equity securities that are registered pursuant to Section 12(b) of the Securities Exchange Act of 1934.

| Period                               | Total Number of Shares purchased | Average Price Paid Per Share | Total Number of Shares Purchases as part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------------|----------------------------------|------------------------------|--|--|
| January 1 through January 31, 2008   | 1,093,219 <sub>1</sub>           | \$ 27.20                     |  |  |
| February 1 through February 29, 2008 | 214 <sub>1</sub>                 | \$ 25.88                     |  |  |
| March 1 through March 31, 2008       | 7,346 <sub>1</sub>               | \$ 25.52                     |  |  |
| Total                                | 1,100,779                        | \$ 27.18                     |  |  |

1. Purchases made by us to satisfy the income tax withholding obligations of certain employees.

**ITEM 6. Exhibits**

| Exhibit No. | Description  |
|-------------|--|
| 3.1         | Form of Amended and Restated Certificate of Incorporation of the Registrant (1)  |
| 3.2         | Form of Amended and Restated Bylaws of the Registrant (1)  |
| 4.1         | Specimen Common Stock Certificate (1)  |
| 4.2         | Form of Registration Rights Agreement among the Registrant, Martin Cohen, Robert H. Steers, The Martin Cohen 1998 Family Trust and Robert H. Steers Family Trust (1)           |
| 31.1        | Certification of the co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).     |
| 31.2        | Certification of the co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).     |
| 31.3        | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).        |
| 32.1        | Certification of the co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |

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- 32.2 Certification of the co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.3 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

- (1) Incorporated by Reference to the Registrant's Registration Statement on Form S-1 (Registration No. 333-114027), as amended, originally filed with the Securities and Exchange Commission on March 30, 2004.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2008

**Cohen & Steers, Inc.**

/s/ Matthew S. Stadler

Name: Matthew S. Stadler

Title: Executive Vice President & Chief  
Financial Officer

Date: May 9, 2008

**Cohen & Steers, Inc.**

/s/ Bernard M. Doucette

Name: Bernard M. Doucette

Title: Senior Vice President & Chief  
Accounting Officer