KB HOME
Form 10-Q
February 13, 2007

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

**Form 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended August 31, 2006**

**or**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from [ ] to [ ].**

**Commission File No. 001-9195**

**KB HOME**
*(Exact name of registrant as specified in its charter)*

| **Delaware** | **95-3666267** |
|---|---|
| *(State of incorporation)* | *(IRS employer identification number)* |

**10990 Wilshire Boulevard**
**Los Angeles, California 90024**
**(310) 231-4000**
*(Address and telephone number of principal executive offices)*

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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):
Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

Indicate the number of shares outstanding of each of the registrant s classes of common stock as of August 31, 2006.

Common stock, par value $1.00 per share, 89,463,897 shares outstanding, including 12,372,182 shares held by the Registrant s Grantor Stock Ownership Trust and excluding 25,183,707 shares held in treasury.

**KB HOME**
**FORM 10-Q**
**INDEX**


| | | Page Number(s) |
|---|---|---|
| **EXPLANATORY NOTE** | | 1-3 |
| | **PART I. FINANCIAL INFORMATION** | |
| **Item 1.** | **Financial Statements** | |
| | Consolidated Statements of Income Nine Months and Three Months Ended August 31, 2006 and 2005 (as restated) | 4 |
| | Consolidated Balance Sheets August 31, 2006 and November 30, 2005 (as restated) | 5 |
| | Consolidated Statements of Cash Flows Nine Months Ended August 31, 2006 and 2005 (as restated) | 6 |
| | Notes to Consolidated Financial Statements (as restated) | 7-29 |
| **Item 2.** | **Management s Discussion and Analysis of Financial Condition and Results of Operations** | 30-43 |
| **Item 3.** | **Quantitative and Qualitative Disclosures About Market Risk** | 43 |
| **Item 4.** | **Controls and Procedures** | 43-44 |
| | **PART II. OTHER INFORMATION** | |
| **Item 1.** | **Legal Proceedings** | 44-45 |
| **Item 1A.** | **Risk Factors** | 45-51 |
| **Item 2.** | **Unregistered Sales of Equity Securities and Use of Proceeds** | 51 |
| **Item 6.** | **Exhibits** | 51 |
| **SIGNATURES** | | 52 |
| **INDEX OF EXHIBITS** | | 53 |

EXHIBIT 31.1
EXHIBIT 31.2
EXHIBIT 32.1
EXHIBIT 32.1

## EXPLANATORY NOTE

We are restating our consolidated financial statements to reflect additional stock-based compensation expense and related income tax effects relating to annual stock option awards granted since 1998. This Form 10-Q reflects the restatement of our consolidated balance sheet as of November 30, 2005, the related consolidated statements of income for the three and nine months ended August 31, 2005, and the related consolidated statement of cash flows for the nine months ended August 31, 2005. Our Annual Report on Form 10-K for the year ended November 30, 2006 (the 2006 Form 10-K ) to be filed with the Securities and Exchange Commission ( SEC ) reflects the restatement of our consolidated financial position as of November 30, 2005 and our consolidated results of operations and cash flows for the years ended November 30, 2005 and 2004. Our 2006 Form 10-K also includes under Item 6. Selected Financial Data restated financial information as of and for the years ended November 30, 2003 and 2002.

*Background*

In light of various media reports that stock options had been backdated at a number of public companies, and in conjunction with a request from the Chairman of the Audit and Compliance Committee of our board of directors, in May 2006 our internal legal department began a preliminary review of our annual stock option grant practices.

On July 25, 2006, we commenced a voluntary independent review of our stock option grant practices (the Stock Option Review ) to determine whether we had used appropriate measurement dates for, among other awards, the twelve annual stock option grants we made from January 1995 to November 2005. The Stock Option Review was directed by a subcommittee of our Audit and Compliance Committee (the Subcommittee ) consisting solely of outside directors who have never served on our Management Development and Compensation Committee (the Compensation Committee ) with the advice of independent counsel and forensic accountants. The Subcommittee and its advisors conducted 66 interviews, including seven with current and former members of our Compensation Committee, and collected more than 1.2 million documents relating to our stock option grant practices from 64 individuals.

On November 12, 2006, we announced that the Subcommittee had substantially completed its investigation and concluded that we had used incorrect measurement dates for financial reporting purposes for the eight annual stock option grants made since 1998. At the same time, we announced the departure of our Chairman and Chief Executive Officer and our head of human resources.

On December 8, 2006, we filed a Current Report on Form 8-K announcing that our management, in consultation with the Audit and Compliance Committee and after discussion with our independent registered public accounting firm, had determined that our previously issued consolidated financial statements and any related audit reports for the years ended November 30, 2005, 2004 and 2003, and the interim consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended February 28, 2006 and May 31, 2006, should no longer be relied upon and would be restated.

*Findings*

The evidence developed through the Stock Option Review indicates that our Compensation Committee met in October each year since 1998 to consider and approve annual stock option awards for the next year. At those meetings, our Compensation Committee specifically approved the number of stock options to be granted to our former Chief Executive Officer and other senior management and an unallocated block of stock options to be allocated by our former Chief Executive Officer and our former head of human resources to other employees.

In addition to allocating annual stock options among other employees, starting with the annual stock option grant approved by the Compensation Committee in October 1998, our former Chief Executive Officer and former head of

human resources also selected the grant date. The Subcommittee discovered evidence confirming or, in some years, suggesting that hindsight was used to secure favorable exercise prices for seven of the eight annual stock option grants since 1998. Grants in 1999, 2000 and 2001 were made at the lowest closing stock price during the grant month. The Subcommittee discovered direct evidence that the 2001 grant was priced with hindsight to secure favorable pricing, and the Subcommittee concluded that the evidence it reviewed suggests that hindsight pricing



---

was used for the 1999 and 2000 grants as well. The Subcommittee also found that there is evidence that hindsight was used for the three annual grants made from 2003 to 2005, but within a floating three-day window as a result of the SEC s accelerated filing requirements for reports of stock transactions by executive officers.

Involvement in, and knowledge of, the hindsight pricing practices by our senior management, based on the evidence developed through the Stock Option Review, was limited to our former Chief Executive Officer and our former head of human resources. The Subcommittee concluded that these hindsight pricing practices did not involve any of our current senior management, including our new Chief Executive Officer, our principal financial officer or our principal accounting officer, nor were any of those individuals aware of these practices. The Subcommittee further concluded that none of our other accounting or finance employees were involved in, or aware of, the hindsight pricing practices.

*Stock Option Adjustments and Related Actions*

As part of its review, the Subcommittee determined whether the correct measurement dates had been used under applicable accounting principles for these options. The measurement date means the date on which the option is deemed granted under applicable accounting principles, namely Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ( APB Opinion No. 25 ), and related interpretations, and is the first date on which all of the following are known: (a) the individual employee who is entitled to receive the option grant, (b) the number of options that an individual employee is entitled to receive, and (c) the option s exercise price.

Based on the findings of the Subcommittee, we have changed the measurement dates we use to account for the annual stock option grants since 1998 from the grant dates selected by our former Chief Executive Officer and our former head of human resources to the dates our employees were first notified of their grants. These measurement date changes resulted in an understatement of stock-based compensation expense arising from each of our annual stock option grants since 1998, affecting our consolidated financial statements for each year beginning with our year ended November 30, 1999. We have determined that the aggregate understatement of stock-based compensation expense for the seven-year restatement period from 1999 through 2005 is $36.3 million. In connection with the restatement of our consolidated financial statements to reflect the stock-based compensation adjustments associated with the stock option measurement date changes, we recorded an aggregate increase of $4.8 million in our income tax provision for the seven-year restatement period. This amount represents the cumulative income tax impact related to Internal Revenue Code ( IRC ) Section 162(m), partially offset by the income tax impact of the additional stock-based compensation expense. The stock-based compensation expense and related income tax impacts reduced net income by $41.1 million for the years ended November 30, 1999 through 2005. The related tax effects on our consolidated balance sheet included an increase of $72.3 million in accrued expenses and other liabilities, and a decrease of $77.8 million in stockholders equity. See Note 2. Restatement of Consolidated Financial Statements in the Notes to Consolidated Financial Statements in this Form 10-Q for the impacts on our consolidated financial statements.

After considering the application of Section 409A of the IRC to our annual stock option grants, in December 2006 we increased the exercise price of certain annual stock options and will pay the difference to our current employees in the first quarter of our year ended November 30, 2007. This amount is not expected to exceed $7.0 million.

*Other Adjustments*

In addition to the adjustments related to the Stock Option Review, the restated consolidated financial statements presented herein include an adjustment to increase the income tax provision and reduce goodwill in 2004 and 2005 in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ( SFAS No. 109 ) to reflect the income tax benefit realized for the excess of tax-deductible goodwill over the reported amount of goodwill. The aggregate impact of this adjustment on 2004 and 2005 was a $7.8 million increase in the income tax provision with a corresponding reduction in goodwill. This adjustment is not related to the Stock Option

Review.

**Table of Contents**

*Restatement*

We have restated our consolidated financial statements for the years ended November 30, 2005 and 2004 and our quarterly results for the periods to be reflected in our 2006 Form 10-K. Because the impacts of the restatement adjustments extend back to the year ended November 30, 1999, in the restated consolidated financial statements, we have recognized the cumulative stock-based compensation expense and related income tax impact through November 30, 2003 as a net decrease to beginning stockholders equity as of December 1, 2003.

The table below reflects the impacts of the restatement adjustments discussed above on our consolidated statements of income for the periods presented below (in thousands):

| | Years Ended November 30, | | | | | Cumulative December 1, 1998 through November 30, 2000 (b) |
|---|---|---|---|---|---|---|
| Category of Adjustments: | 2005 (a) | 2004 (a) | 2003 (a) | 2002 (a) | 2001 (a) | |
| Pretax stock-based compensation expense related to stock option measurement date changes (c) | $ 5,809 | $ 2,366 | $ 3,443 | $ 6,684 | $ 7,885 | $ 10,092 |
| Income tax impact on measurement date changes | (1,500) | (500) | (700) | (1,200) | (1,400) | (1,800) |
| Income tax impact related to IRC Section 162(m) | 10,300 | 1,300 | 100 | 200 | | |
| Total income tax impact related to stock option measurement date changes | 8,800 | 800 | (600) | (1,000) | (1,400) | (1,800) |
| Other income tax adjustments (d) | 4,100 | 3,700 | | | | |
| Total income tax adjustments | 12,900 | 4,500 | (600) | (1,000) | (1,400) | (1,800) |
| Total net charge to net income | $ 18,709 | $ 6,866 | $ 2,843 | $ 5,684 | $ 6,485 | $ 8,292 |

(a) See Note 2. Restatement of Consolidated Financial Statements in the Notes to Consolidated Financial Statements in this Form 10-Q for additional information regarding the adjustments made to our restated consolidated financial statements.

(b) The cumulative effect of the stock-based compensation adjustments from December 1, 1998 through November 30, 2000 is reflected as an adjustment to stockholders equity in the 2001 period. The following is a summary of the pretax and after-tax expense by year (in thousands):

| | Pretax | Income Tax |
|---|---|---|

| Years Ended November 30, | Adjustments | Adjustments | Net Charge to Net Income |
|---|---|---|---|
| 1999 | $ 4,319 | $ (800) | $ 3,519 |
| 2000 | 5,773 | (1,000) | 4,773 |
| Cumulative effect | $ 10,092 | $ (1,800) | $ 8,292 |

(c) Stock-based compensation expenses have been recorded as adjustments to the selling, general and administrative expenses line item in our consolidated statements of income for each period.

(d) This represents the income tax impact from a goodwill book/tax difference and is not related to the Stock Option Review.

We have not amended and do not intend to amend any of our previously filed annual or quarterly reports.

As a result of our failure to file this Form 10-Q on a timely basis, we will not be eligible to use our shelf registration statement, or any other registration statement on Form S-3, to offer or sell our securities until we have timely filed all required reports under the Securities Exchange Act of 1934 for the 12 months prior to our use of the registration statement.

Table of Contents

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**KB HOME**
**CONSOLIDATED STATEMENTS OF INCOME**
**(In Thousands, Except Per Share Amounts Unaudited)**

| | Nine Months Ended August 31, | | Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2006 | 2005 (as restated) | 2006 | 2005 (as restated) |
| **Total revenues** | $ 7,458,112 | $ 6,291,510 | $ 2,674,391 | $ 2,525,064 |
| **Construction:** | | | | |
| Revenues | $ 7,444,500 | $ 6,264,609 | $ 2,669,963 | $ 2,515,803 |
| Construction and land costs | (5,627,454) | (4,593,150) | (2,087,950) | (1,828,499) |
| Selling, general and administrative expenses | (964,932) | (811,816) | (344,199) | (315,007) |
| Operating income | 852,114 | 859,643 | 237,814 | 372,297 |
| Interest income | 3,591 | 3,032 | 1,298 | 1,261 |
| Interest expense, net of amounts capitalized | (18,723) | (10,727) | (3,704) | (4,310) |
| Minority interests | (45,969) | (55,547) | (16,123) | (22,121) |
| Equity in pretax income of unconsolidated joint ventures | 16,172 | 10,453 | 10,735 | 2,674 |
| Construction pretax income | 807,185 | 806,854 | 230,020 | 349,801 |
| **Financial services:** | | | | |
| Revenues | 13,612 | 26,901 | 4,428 | 9,261 |
| Expenses | (4,629) | (24,516) | (1,392) | (7,854) |
| Equity in pretax income of unconsolidated joint venture | 8,925 | | 5,058 | |
| Financial services pretax income | 17,908 | 2,385 | 8,094 | 1,407 |
| **Total pretax income** | 825,093 | 809,239 | 238,114 | 351,208 |
| Income taxes | (293,100) | (289,900) | (84,900) | (128,500) |
| **Net income** | $ 531,993 | $ 519,339 | $ 153,214 | $ 222,708 |
| **Basic earnings per share** | $ 6.70 | $ 6.37 | $ 1.97 | $ 2.69 |
| **Diluted earnings per share** | $ 6.36 | $ 5.88 | $ 1.90 | $ 2.50 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Basic average shares outstanding** | | 79,414 | | 81,541 | | 77,724 | | 82,735 |
| **Diluted average shares outstanding** | | 83,705 | | 88,322 | | 80,618 | | 89,243 |
| **Cash dividends per common share** | $ | .7500 | $ | .5625 | $ | .2500 | $ | .1875 |

See accompanying notes.

Table of Contents

**KB HOME**
**CONSOLIDATED BALANCE SHEETS**
**(In Thousands Unaudited)**

| | August 31, 2006 | November 30, 2005 (as restated) |
|---|---|---|
| **ASSETS** | | |
| Construction: | | |
| Cash and cash equivalents | $ 98,496 | $ 144,783 |
| Trade and other receivables | 563,112 | 580,931 |
| Inventories | 7,894,610 | 6,128,342 |
| Investments in unconsolidated joint ventures | 363,065 | 275,378 |
| Deferred income taxes | 189,363 | 223,091 |
| Goodwill | 239,335 | 234,771 |
| Other assets | 179,493 | 124,150 |
| | 9,527,474 | 7,711,446 |
| Financial services | 39,061 | 29,933 |
| **Total assets** | $ 9,566,535 | $ 7,741,379 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Construction: | | |
| Accounts payable | $ 987,724 | $ 892,727 |
| Accrued expenses and other liabilities | 1,573,471 | 1,410,959 |
| Mortgages and notes payable | 3,810,561 | 2,463,814 |
| | 6,371,756 | 4,767,500 |
| Financial services | 49,801 | 55,131 |
| Minority interests | 172,593 | 144,951 |
| Stockholders equity: | | |
| Common stock | 114,648 | 113,905 |
| Paid-in capital | 813,520 | 742,978 |
| Retained earnings | 3,044,382 | 2,571,372 |
| Accumulated other comprehensive income | 52,504 | 28,704 |
| Deferred compensation | | (13,605) |
| Grantor stock ownership trust, at cost | (134,444) | (141,266) |
| Treasury stock, at cost | (918,225) | (528,291) |
| Total stockholders equity | 2,972,385 | 2,773,797 |
| **Total liabilities and stockholders equity** | $ 9,566,535 | $ 7,741,379 |

See accompanying notes.

Table of Contents

**KB HOME**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands Unaudited)**

| | | | | |
|---|---|---|---|---|
| | | | 41,808 | 25,761 |
| Non-operating income: | | | | |
| Interest and dividend income—net | 355 | 366 | 539 | 561 |
| Loss from trading securities—net | (99) | (371) | (477) | (182) |
| Gain from available-for-sale securities—net | 232 | 3,281 | 590 | 3,479 |
| Equity in earnings (losses) of affiliates | 627 | (1,361) | 613 | (820) |
| Other | 191 | 135 | 1,016 | 47 |
| Total non-operating income | 1,306 | 2,050 | 2,281 | 3,085 |
| Income before provision for income taxes | 24,201 | 15,382 | 44,089 | 28,846 |
| Provision for income taxes | 8,442 | 3,781 | 15,428 | 8,355 |
| Net income | 15,759 | 11,601 | 28,661 | 20,491 |
| Less: Net (income) loss attributable to redeemable noncontrolling interest | (80) | 2 | (7) | (8) |
| Net income attributable to common shareholders | $15,679 | $ 11,603 | $28,654 | $20,483 |
| Earnings per share attributable to common shareholders: | | | | |
| Basic | $0.36 | $ 0.27 | $0.66 | $0.48 |
| Diluted | $0.36 | $ 0.27 | $0.65 | $0.48 |
| Weighted average shares outstanding: | | | | |
| Basic | 43,220 | 42,730 | 43,136 | 42,665 |
| Diluted | 43,840 | 43,143 | 43,811 | 43,040 |

See notes to condensed consolidated financial statements

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income attributable to common shareholders | $15,679 | $11,603 | $28,654 | $20,483 |
| Foreign currency translation gain (loss) | 1,419 | (2,394) | 3,129 | (4,108) |
| Net unrealized gain (loss) from available-for-sale securities, net of tax | 260 | (4,163) | 401 | (3,299) |
| Reclassification to statements of operations of gain from available-for-sale securities, net of tax | (232) | (3,281) | (590) | (3,479) |
| Total comprehensive income attributable to common shareholders | $17,126 | $1,765 | $31,594 | $9,597 |

See notes to condensed consolidated financial statements

3

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND REDEEMABLE NONCONTROLLING INTEREST (Unaudited)
Six Months Ended June 30, 2011
(in thousands)

| | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income, net of tax | Treasury Stock | Total Stockholders' Equity | Redeemable Noncontrolling Interest | Shares of Common Stock, net |
|---|---|---|---|---|---|---|---|---|
| Beginning balance, January 1, 2011 | $454 | $378,081 | $ (65,553 ) | $ 2,971 | $(82,588) | $ 233,365 | $ — | 42,640 |
| Dividends | — | — | (13,246 ) | — | — | (13,246 ) | — | — |
| Issuance of common stock | 7 | 323 | — | — | — | 330 | — | 727 |
| Repurchase of common stock | — | — | — | — | (6,454 ) | (6,454 ) | — | (226 ) |
| Tax benefits associated with restricted stock units—net | — | 997 | — | — | — | 997 | — | — |
| Issuance of restricted stock units | — | 823 | — | — | — | 823 | — | — |
| Amortization of restricted stock units—net | — | 8,529 | — | — | — | 8,529 | — | — |
| Forfeitures of vested restricted stock units | — | (1 ) | — | — | — | (1 ) | — | — |
| Net income | — | — | 28,654 | — | — | 28,654 | 7 | — |
| Other comprehensive income, net of taxes | — | — | — | 2,940 | — | 2,940 | — | — |
| Distribution payable to noncontrolling interest | — | — | — | — | — | — | (744 ) | — |
| Foreign currency translation adjustment on noncontrolling interest | — | — | — | — | — | — | 239 | — |
| Transfer of redeemable noncontrolling interest in consolidated entity | — | — | — | — | — | — | 3,877 | — |
| Ending balance, June 30, 2011 | $461 | $388,752 | $ (50,145 ) | $ 5,911 | $(89,042) | $ 255,937 | $ 3,379 | 43,141 |

See notes to condensed consolidated financial statements

4

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income | $28,661 | $20,491 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock compensation expense | 8,585 | 7,485 |
| Amortization, deferred commissions | 758 | 422 |
| Depreciation and amortization | 2,481 | 2,267 |
| Deferred rent | (250) | (226) |
| Loss from trading securities - net | 477 | 182 |
| Equity in (earnings) losses of affiliates | (613) | 820 |
| Gain from available-for-sale securities - net | (590) | (3,479) |
| Deferred income taxes | 2,937 | 2,701 |
| Foreign currency gain | (145) | (93) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,291) | (2,507) |
| Due from broker | — | 2,487 |
| Deferred commissions | (1,096) | (472) |
| Income tax receivable | — | 777 |
| Securities owned | (506) | (12,695) |
| Other assets | (651) | (146) |
| Accrued compensation | (7,196) | (3,684) |
| Securities sold but not yet purchased | — | (1,171) |
| Income tax payable | (1,463) | (853) |
| Other liabilities and accrued expenses | (1,292) | (46) |
| Net cash provided by operating activities | 23,806 | 12,260 |
| Cash flows from investing activities: | | |
| Purchases of investments, available-for-sale | (15,957) | (9,432) |
| Proceeds from sales of investments, available-for-sale | 13,857 | 21,744 |
| Purchases of property and equipment | (1,235) | (769) |
| Net cash (used in) provided by investing activities | (3,335) | 11,543 |
| Cash flows from financing activities: | | |
| Excess tax benefits associated with restricted stock units | 1,450 | 380 |
| Issuance of common stock | 287 | 258 |
| Repurchase of common stock | (6,454) | (3,247) |
| Dividends to stockholders | (12,956) | (8,523) |
| Contributions from redeemable noncontrolling interest | — | 1,954 |
| Net cash used in financing activities | (17,673) | (9,178) |
| Net increase in cash and cash equivalents | 2,798 | 14,625 |
| Effect of foreign exchange rate changes | 1,682 | (2,097) |
| Cash and cash equivalents, beginning of the period | 136,191 | 153,002 |
| Cash and cash equivalents, end of the period | $140,671 | $165,530 |

See notes to condensed consolidated financial statements

5

COHEN & STEERS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(UNAUDITED)

Supplemental disclosures of cash flow information:
For the six months ended June 30, 2011 and 2010, the Company paid taxes, net of tax refunds, of approximately $12,557,000 and $5,310,000, respectively.
Supplemental disclosures of non-cash investing and financing activities:
In connection with its stock incentive plan, for the six months ended June 30, 2011 and 2010, the Company issued fully vested restricted stock units in the amount of $533,000 and $323,000, respectively. For the six months ended June 30, 2011 and 2010, the Company issued restricted stock unit dividend equivalents in the amount of $290,000 and $131,000, respectively.
On February 23, 2011, the Company consolidated the assets and liabilities of the Cohen & Steers Global Listed Infrastructure Fund resulting in a non-cash reclassification of $5,838,000 from equity investments representing the Company's proportionate share of the fund.
On February 1, 2010, the Company deconsolidated the assets and liabilities of the onshore global real estate long-short fund resulting in a non-cash reclassification of $26,159,000 to equity investments representing the Company's proportionate share of the fund.

6

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 wholly-owned subsidiaries are CSCM, Cohen & Steers Securities, LLC (“Securities”), Cohen & Steers Asia Limited, Cohen & Steers UK Limited and Cohen & Steers Europe S.A. (collectively, the “Company”). All material intercompany balances and transactions have been eliminated in consolidation.

Through CSCM, a registered investment advisor under the Investment Advisers Act of 1940 (the “Advisers Act”), the Company provides investment management services to individual and institutional investors through a broad range of investment vehicles. The Company manages portfolios specializing in U.S. and international real estate securities, large cap value stocks, listed infrastructure and utilities, and preferred securities. The Company also manages alternative investment strategies such as hedged real estate securities portfolios and private real estate multimanager strategies for qualified investors. Its clients include Company-sponsored open-end and closed-end mutual funds, U.S. and non-U.S. pension plans, endowment funds, foundations and sub-advised funds for other financial institutions. Through Securities, its registered broker/dealer, the Company provides distribution services for certain of its funds.

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 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, 2010.

Accounting Estimates—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 disclosures 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.

Reclassifications—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.

Consolidation—The Company consolidates operating entities deemed to be voting interest entities if the Company owns a majority of the voting interest. The equity method of accounting is used for investments in non-controlled affiliates in which the Company’s ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control. The Company also consolidates any variable interest entities (“VIEs”) in which the Company is the primary beneficiary. The Company provides for noncontrolling interests in consolidated subsidiaries for which the Company’s ownership is less than 100 percent.

A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns. The Company evaluates whether entities in which it has an interest are VIEs and whether the Company is the primary beneficiary of any VIEs identified in its analysis. See Note 4 for further discussion about the Company’s investments.

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—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.

Securities owned and securities sold but not yet purchased are classified as trading securities and are measured at fair

7

---

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

value based on quoted market prices, market prices obtained from independent pricing services engaged by management or as determined by the Company's fair value committee, with unrealized gains and losses recorded as gain (loss) from trading securities reported in the Company's condensed consolidated statements of operations. Investments classified as equity investments are accounted for using the equity method, under which the Company recognizes its respective share of the investee's net income for the period. The carrying amounts of these investments approximate their fair value.

Investments classified as available-for-sale are comprised of equity securities, investment-grade preferred instruments and investments in Company-sponsored open-end and closed-end mutual funds. These investments are carried at fair value based on quoted market prices or market prices obtained from independent pricing services engaged by management, 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 of a security position is other than temporary, the loss will be recognized in the Company's condensed consolidated statements of operations.

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. See Note 3 for further discussion about the Company's goodwill and intangible assets.

Investment Advisory and Administration Fees—The Company earns revenue by providing asset management services to institutional accounts and to Company-sponsored open-end and closed-end mutual funds. 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, net of applicable waivers. The Company also earns revenue from administration fees paid by certain Company-sponsored open-end and closed-end mutual funds, based on the average assets under management of such funds. This revenue is recognized as such fees are earned.

Distribution and Service Fees—Distribution and service fee revenue is earned as the services are performed, based on contractually-predetermined percentages of the average assets under management 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 fee arrangements are recorded as incurred.

Stock-based Compensation—The Company recognizes compensation 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. The Company also estimates forfeitures.

Income Taxes—The Company records the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements in accordance with 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 Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized. 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.

Currency Translation and Transactions—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. 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 the Company's condensed consolidated statements of comprehensive income, a component of stockholders' equity. Gains or losses resulting from non-U.S. dollar currency transactions are included in other non-operating income in the condensed consolidated statements of operations.

Recently Issued Accounting Pronouncements—In June 2011, the Financial Accounting Standards Board ("FASB") issued new guidance eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The new guidance requires changes to the components of net income and comprehensive income in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components

8

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The new guidance should be applied retrospectively. This new guidance is effective for the Company's first quarter of 2012. The Company does not anticipate the adoption of this new guidance to have a material impact on the Company's condensed consolidated financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurement and disclosures. The new guidance results in common fair value measurement and disclosure requirements in U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Requirements. This new guidance changed the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance is effective for the Company's first quarter of 2012. The Company does not anticipate the adoption of this new guidance to 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 net tangible assets and identifiable intangible assets of an acquired business. At June 30, 2011 and December 31, 2010, goodwill was approximately $21,337,000 and $20,334,000, respectively. The Company's goodwill increased by $1,003,000 in the six months ended June 30, 2011 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 June 30, 2011 and December 31, 2010 (in thousands):

| | Remaining Amortization Period (In Months) | Gross Carrying Amount | Accumulated Amortization | Intangible Assets, Net |
|---|---|---|---|---|
| June 30, 2011: | | | | |
| Amortized intangible assets: | | | | |
| Client relationships | 90 | $1,543 | $(869) | $674 |
| Non-amortized intangible assets: | | | | |
| Mutual fund management contracts | — | 1,250 | — | 1,250 |
| Total | | $2,793 | $(869) | $1,924 |
| December 31, 2010: | | | | |
| Amortized intangible assets: | | | | |
| Client relationships | 96 | $1,543 | $(825) | $718 |
| Non-amortized intangible assets: | | | | |
| Mutual fund management contracts | — | 1,250 | — | 1,250 |
| Total | | $2,793 | $(825) | $1,968 |

9

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

Amortization expense related to the intangible assets was approximately $22,000 and $23,000 for the three months ended June 30, 2011 and 2010, respectively, and approximately $44,000 and $45,000 for the six months ended June 30, 2011 and 2010, respectively. Estimated future amortization expense is as follows (in thousands):

| Periods Ending December 31, | Estimated Amortization Expense |
|---|---|
| 2011 | $45 |
| 2012 | 89 |
| 2013 | 89 |
| 2014 | 89 |
| 2015 | 89 |
| Thereafter | 273 |
| Total | $674 |

4. Investments

Trading

During the fourth quarter of 2009, the Company launched Cohen & Steers Global Listed Infrastructure Fund (“GLIF”). The Company accounted for its investment in GLIF using the equity method of accounting until February 23, 2011 as the Company did not have a controlling financial interest, but had significant influence over the financial decisions of the fund. As of February 23, 2011, the Company owned over 50% of the voting interest in GLIF. Accordingly, the underlying assets and liabilities of GLIF have been included in the Company's condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest. As a result of consolidating GLIF, the Company recorded approximately $10,146,000 of securities owned as of June 30, 2011, which were comprised primarily of equities. For the six months ended June 30, 2011, the Company recorded approximately $477,000 of net loss from trading securities from the consolidation of GLIF.

Equity investments

The offshore global real estate long-short fund (the “Offshore Fund”), launched by the Company in 2008, is structured as a partnership and the Company is the general partner and investment manager for which it receives a management fee and a performance fee. The Company’s equity interest in the Offshore Fund represents a seed investment to launch the fund, adjusted for the Company’s proportionate share of the fund’s earnings. At June 30, 2011 and December 31, 2010, the Company had equity investments of approximately $11,394,000 and $11,245,000 in the Offshore Fund, respectively. As the general partner of the Offshore Fund, the Company has significant influence over the fund's financial decisions and therefore accounts for its investment in the fund using the equity method of accounting. The Company’s risk with respect to its investment in the Offshore Fund is limited to its equity ownership and any uncollected management fees.

During 2008, the Company launched an onshore global real estate long-short fund (the “Onshore Fund”). Until January 31, 2010, the Company and certain of its employees owned 100% of the voting interest in the Onshore Fund. Accordingly, the assets, liabilities and the results of operations of the Onshore Fund were included in the Company’s condensed consolidated financial statements with the third party interests classified as redeemable noncontrolling interest. As the redeemable noncontrolling interests were owned by certain employees of the Company, no management or performance fees were charged. Beginning February 1, 2010, the Company accounted for its investment in the Onshore Fund using the equity method of accounting as the Company no longer had a controlling financial interest, but, as the general partner, had significant influence over the fund's financial decisions. At June 30, 2011 and December 31, 2010, the Company had equity investments of approximately $27,362,000 and $26,963,000 in the Onshore Fund, respectively.

The Company recorded a gain from trading securities of approximately $189,000 from the consolidation of the Onshore Fund for the six months ended June 30, 2010.

For the three and six months ended June 30, 2011, the Company recognized earnings of approximately $627,000 and $613,000, respectively, under the equity method of accounting, which is included in equity in earnings of affiliates in the condensed consolidated statements of operations. For the three and six months ended June 30, 2010, the Company recognized

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

losses of approximately $1,361,000 and $820,000, respectively, under the equity method of accounting.
Available-for-sale
The following is a summary of the cost, gross unrealized gains, gross unrealized losses and fair value of investments, available-for-sale as of June 30, 2011 and December 31, 2010 (in thousands):

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses < 12 months | Fair Value |
| Perpetual preferred securities | $5,191 | $267 | $(2) | $5,456 |
| Common stocks | 9,726 | 600 | (150) | 10,176 |
| Company-sponsored mutual funds | 3,017 | 801 | — | 3,818 |
| Total investments, available-for-sale | $17,934 | $1,668 | $(152) | $19,450 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses < 12 months | Fair Value |
| Perpetual preferred securities | $5,910 | $15 | $(11) | $5,914 |
| Common stocks | 6,215 | 726 | (44) | 6,897 |
| Company-sponsored mutual funds | 3,120 | 1,023 | — | 4,143 |
| Total investments, available-for-sale | $15,245 | $1,764 | $(55) | $16,954 |

Unrealized losses on investments, available-for-sale as of June 30, 2011 were generally caused by market conditions. When evaluating whether an unrealized loss on an investment, available-for-sale is other than temporary, the Company reviews such factors as extent and duration of the loss, deterioration in the issuer's credit quality, reduction or cessation of dividend payments and overall financial strength of the issuer. As of June 30, 2011, the Company determined that it had the ability and intent to hold the remaining investments for which no other-than-temporary impairment has occurred until a recovery of fair value. Accordingly, impairment of these investments is considered temporary.
Sales proceeds, gross realized gains and losses from investments, available-for-sale for the three and six months ended June 30, 2011 and 2010 are summarized below (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Proceeds from sales | $5,901 | $16,970 | $13,857 | $21,744 |
| Gross realized gains | 416 | 3,699 | 880 | 4,244 |
| Gross realized losses | (184) | (244) | (290) | (453) |

Fair Value
The Codification Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), 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.

ASC 820 specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

listed below:

- Level 1—Unadjusted 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 significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Company defaults to the lowest level input that is significant to the fair value measurement in its entirety. 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 ASC 820. The following table presents fair value measurements as of June 30, 2011 (in thousands):

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash equivalents* | $63,597 | $— | $63,597 |
| Securities owned | $10,146 | $— | $10,146 |
| Equity investments | $— | $38,755 | $38,755 |
| Investments, available-for-sale | | | |
| Perpetual preferred securities | $1,031 | $4,425 | $5,456 |
| Common stocks | 10,176 | — | 10,176 |
| Company-sponsored mutual funds | 3,818 | — | 3,818 |
| Total investments, available-for-sale | $15,025 | $4,425 | $19,450 |

* Cash equivalents were comprised of investments in money market funds which are included in cash and cash equivalents on the Company's condensed consolidated statements of financial condition.

The following table presents fair value measurements as of December 31, 2010 (in thousands):

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash equivalents* | $84,197 | $— | $84,197 |
| Equity investments | $5,771 | $38,208 | $43,979 |
| Investments, available-for-sale | | | |
| Perpetual preferred securities | $992 | $4,922 | $5,914 |
| Common stocks | 6,897 | — | 6,897 |
| Company-sponsored mutual funds | 4,143 | — | 4,143 |
| Total investments, available-for-sale | $12,032 | $4,922 | $16,954 |

* Cash equivalents were comprised of investments in money market funds which are included in cash and cash equivalents on the Company's condensed consolidated statements of financial condition.

Equity investments classified as level 2 in the above tables represent the fair value measurement of equity investments in the Onshore Fund and the Offshore Fund, which are measured at fair value based on the funds' net asset value. The funds make long and short investments in real estate securities to maximize absolute and risk-adjusted returns with modest volatility. The Company has the ability to redeem the funds monthly at net asset value per share with prior written notice of 30 days and no significant restrictions to redemption.

Investments, available-for-sale classified as level 2 in the above tables were comprised of primarily auction rate preferred securities, which were measured at fair value based on the quoted prices for identical or similar instruments in markets that are not active.

12

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

5. Earnings Per Share
Basic earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average shares outstanding. Diluted earnings per share are calculated by dividing net income attributable to common shareholders 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.
Anti-dilutive common stock equivalents of approximately 5,000 and 4,000 shares, respectively, were excluded from the computation for the three and six months ended June 30, 2011. Anti-dilutive common stock equivalents of approximately 53,000 and 64,000 shares, respectively, were excluded from the computation for the three and six months ended June 30, 2010.
The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three and six months ended June 30, 2011 and 2010 (in thousands, except per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | $15,759 | $11,601 | $28,661 | $20,491 |
| Less: Net (income) loss attributable to redeemable noncontrolling interest | (80) | 2 | (7) | (8) |
| Net income attributable to common shareholders | $15,679 | $11,603 | $28,654 | $20,483 |
| Basic weighted average shares outstanding | 43,220 | 42,730 | 43,136 | 42,665 |
| Dilutive potential shares from restricted stock units | 620 | 413 | 675 | 375 |
| Diluted weighted average shares outstanding | 43,840 | 43,143 | 43,811 | 43,040 |
| Basic earnings per share attributable to common shareholders | $0.36 | $0.27 | $0.66 | $0.48 |
| Diluted earnings per share attributable to common shareholders | $0.36 | $0.27 | $0.65 | $0.48 |

6. Income Taxes
The provision for income taxes for the three and six months ended June 30, 2011 includes U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 35%. The effective tax rate for the three and six months ended June 30, 2010 was approximately 25% and 29%, respectively, which included discrete items, the most significant of which was attributable to the sale of previously impaired securities. Excluding the discrete items, the effective tax rate for the three and six months ended June 30, 2010 was approximately 34%. The Company expects the tax rate for the full year 2011 to approximate 35%, excluding discrete items.
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 Company's net deferred tax asset is primarily comprised of future income tax deductions attributable to the delivery of unvested restricted stock units. The Company records a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized.

7. Regulatory Requirements

Securities, a registered broker/dealer in the U.S., is 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 June 30, 2011, Securities had net capital of approximately $1,397,000, which exceeded its requirements by approximately $1,338,000. 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 and requires prior notice to the SEC for certain withdrawals of capital.

Securities does not carry customer accounts and is exempt from the SEC's Rule 15c3-3 pursuant to provisions (k)(1) of such rule.

The non-U.S. subsidiaries of the Company are regulated outside the U.S. by the Hong Kong Securities and Futures

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

Commission, the United Kingdom Financial Securities Authority, and the Belgium Financial Services and Markets Authority (collectively, the "Foreign Regulated Entities"). As of June 30, 2011, the Foreign Regulated Entities had aggregate regulatory capital of approximately $57,181,000, which exceeded requirements by approximately $55,864,000.

8. 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 and six months ended June 30, 2011 and 2010 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Investment advisory and administration fees | $34,703 | $26,211 | $66,284 | $50,524 |
| Distribution and service fees | 2,586 | 2,236 | 5,001 | 4,400 |
| | $37,289 | $28,447 | $71,285 | $54,924 |

For the three months ended June 30, 2011 and 2010, the Company had investment advisory agreements with certain affiliated closed-end mutual funds, pursuant to which the Company contractually waived approximately $397,000 and $637,000, respectively, of advisory fees it was otherwise entitled to receive. For the six months ended June 30, 2011 and 2010, the Company waived approximately $1,081,000 and $1,576,000 of advisory fees, respectively. 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 June 30, 2011, such scheduled reductions in advisory fee waivers were effective for two funds.

Sales proceeds, gross realized gains and dividend income from investments, available-for-sale in Company-sponsored mutual funds for the three and six months ended June 30, 2011 and 2010 are summarized below (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Proceeds from sales | $109 | $3,726 | $109 | $3,726 |
| Gross realized gains | 5 | 700 | 5 | 700 |
| Dividend income | 4 | 30 | 17 | 62 |

The Company has agreements with certain affiliated open-end and closed-end mutual funds to reimburse certain fund expenses. For the three months ended June 30, 2011 and 2010, expenses of approximately $1,743,000 and $1,228,000, respectively, were incurred by the Company pursuant to these agreements and are included in general and administrative expenses. For the six months ended June 30, 2011 and 2010, expenses of approximately $3,313,000 and $2,136,000, respectively, were incurred.

Included in accounts receivable at June 30, 2011 and December 31, 2010 are receivables due from Company-sponsored mutual funds of approximately $13,456,000 and $11,495,000, respectively.

9. Commitments and Contingencies

From time to time, the Company is involved in legal matters relating to claims arising in the ordinary course of business. There are currently no such matters pending that the Company believes could have a material adverse effect

on its business or financial condition.

10. Concentration of Credit Risk

The Company's cash is principally on deposit with three major financial institutions. The Company is subject to credit risk should these financial institutions be unable to fulfill their obligations.



---

COHEN & STEERS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(UNAUDITED)

A third party institutional account client, for which the Company acts as subadvisor to certain foreign retail funds sponsored by this client, accounted for $17,626,000 or 15 percent of the total revenue of the Company during the six months ended June 30, 2011.

11. Subsequent Events
On August 4, 2011, CNS declared quarterly and special cash dividends on its common stock in the amount of $0.15 and $1.00 per share, respectively. These dividends will be payable on September 28, 2011 to stockholders of record at the close of business on September 7, 2011.

## 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 and six months ended June 30, 2011 and June 30, 2010. 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 portfolios specializing in U.S. and international real estate securities, large cap value stocks, listed infrastructure and utilities, and preferred securities. We also manage alternative investment strategies such as hedged real estate securities portfolios and private real estate multimanager strategies for qualified investors. We serve individual and institutional investors through a broad range of investment vehicles.

Assets Under Management

We manage three types of accounts: institutional accounts, open-end mutual funds and closed-end mutual funds. The following table sets forth information regarding the net flows and appreciation/(depreciation) of assets under management for the periods presented (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Institutional Accounts | | | | |
| Assets under management, beginning of period | $21,931 | $14,503 | $19,625 | $12,954 |
| Inflows | 4,997 | 1,471 | 6,526 | 2,865 |
| Outflows | (430) | (417) | (751) | (937) |
| Net inflows | 4,567 | 1,054 | 5,775 | 1,928 |
| Market appreciation (depreciation) | 794 | (1,225) | 1,892 | (550) |
| Total increase (decrease) | 5,361 | (171) | 7,667 | 1,378 |
| Assets under management, end of period[(1)] | $27,292 | $14,332 | $27,292 | $14,332 |
| Average assets under management for period | $24,293 | $14,726 | $22,482 | $13,935 |
| Open-End Mutual Funds | | | | |
| Assets under management, beginning of period | $9,390 | $6,958 | $8,484 | $6,285 |
| Inflows | 1,175 | 684 | 2,322 | 1,394 |
| Outflows | (642) | (509) | (1,282) | (962) |
| Net inflows | 533 | 175 | 1,040 | 432 |
| Market appreciation (depreciation) | 290 | (538) | 689 | (122) |
| Total increase (decrease) | 823 | (363) | 1,729 | 310 |
| Assets under management, end of period | $10,213 | $6,595 | $10,213 | $6,595 |
| Average assets under management for period | $9,822 | $6,672 | $9,313 | $6,451 |
| Closed-End Mutual Funds | | | | |
| Assets under management, beginning of period | $6,709 | $5,736 | $6,353 | $5,546 |
| Inflows | 24 | — | 153 | — |
| Outflows | — | (7) | — | (7) |
| Net inflows (outflows) | 24 | (7) | 153 | (7) |
| Market appreciation (depreciation) | 76 | (414) | 303 | (224) |
| Total increase (decrease) | 100 | (421) | 456 | (231) |
| Assets under management, end of period | $6,809 | $5,315 | $6,809 | $5,315 |
| Average assets under management for period | $6,818 | $5,633 | $6,715 | $5,585 |
| Total | | | | |
| Assets under management, beginning of period | $38,030 | $27,197 | $34,462 | $24,785 |
| Inflows | 6,196 | 2,155 | 9,001 | 4,259 |
| Outflows | (1,072) | (933) | (2,033) | (1,906) |
| Net inflows | 5,124 | 1,222 | 6,968 | 2,353 |
| Market appreciation (depreciation) | 1,160 | (2,177) | 2,884 | (896) |
| Total increase (decrease) | 6,284 | (955) | 9,852 | 1,457 |
| Assets under management, end of period | $44,314 | $26,242 | $44,314 | $26,242 |
| Average assets under management for period | $40,933 | $27,031 | $38,510 | $25,971 |

(1) As of June 30, 2011 and June 30, 2010, assets under management in institutional accounts included $176 million and $217 million, respectively, of assets invested in our alternative strategy.

Assets under management were $44.3 billion at June 30, 2011, a 69% increase from $26.2 billion at June 30, 2010. The increase was due to net inflows of $9.5 billion, primarily into U.S. and global real estate strategies, and market appreciation of $8.6 billion during the prior twelve month period.
Average assets under management were $40.9 billion in the three months ended June 30, 2011, an increase of 51% from $27.0 billion in the three months ended June 30, 2010. Average assets under management were $38.5 billion in the six months ended June 30, 2011, an increase of 48% from $26.0 billion in the six months ended June 30, 2010.
Institutional accounts
Institutional accounts assets under management were $27.3 billion at June 30, 2011, a 90% increase from $14.3 billion at June 30, 2010. The increase in assets under management was due to net inflows of $7.6 billion, primarily from subadvisory relationships, and market appreciation of $5.3 billion during the prior twelve month period.
Average assets under management for institutional accounts were $24.3 billion in the three months ended June 30, 2011, an increase of 65% from $14.7 billion in the three months ended June 30, 2010. Average assets under management for institutional accounts were $22.5 billion in the six months ended June 30, 2011, an increase of 61% from $13.9 billion in the six months ended June 30, 2010.
Net inflows for institutional accounts were $4.6 billion in the three months ended June 30, 2011, compared with $1.1 billion in the three months ended June 30, 2010. Gross inflows were $5.0 billion in the three months ended June 30, 2011, compared with $1.5 billion in the three months ended June 30, 2010. Gross outflows totaled $430 million in the three months ended June 30, 2011, compared with $417 million in the three months ended June 30, 2010. Market appreciation was $794 million in the three months ended June 30, 2011, compared with market depreciation of $1.2 billion in the three months ended June 30, 2010.
Net inflows for institutional accounts were $5.8 billion in the six months ended June 30, 2011, compared with $1.9 billion in the six months ended June 30, 2010. Gross inflows were $6.5 billion in the six months ended June 30, 2011, compared with $2.9 billion in the six months ended June 30, 2010. Gross outflows totaled $751 million in the six months ended June 30, 2011, compared with $937 million in the six months ended June 30, 2010. Market appreciation was $1.9 billion in the six months ended June 30, 2011, compared with market depreciation of $550 million in the six months ended June 30, 2010.
Open-end mutual funds
Open-end mutual fund assets under management were $10.2 billion at June 30, 2011, a 55% increase from $6.6 billion at June 30, 2010. The increase in assets under management was due to market appreciation of $2.2 billion and net inflows of $1.4 billion during the prior twelve month period.
Average assets under management for open-end mutual funds were $9.8 billion in the three months ended June 30, 2011, a 47% increase from $6.7 billion in the three months ended June 30, 2010. Average assets under management for open-end mutual funds were $9.3 billion in the six months ended June 30, 2011, a 44% increase from $6.5 billion in the six months ended June 30, 2010.
Net inflows for open-end mutual funds were $533 million in the three months ended June 30, 2011, compared with $175 million in the three months ended June 30, 2010. Gross inflows were $1.2 billion in the three months ended June 30, 2011, compared with $684 million in the three months ended June 30, 2010. Gross outflows totaled $642 million in the three months ended June 30, 2011, compared with $509 million in the three months ended June 30, 2010. Market appreciation was $290 million in the three months ended June 30, 2011, compared with market depreciation of $538 million in the three months ended June 30, 2010.
Net inflows for open-end mutual funds were $1.0 billion in the six months ended June 30, 2011, compared with $432 million in the six months ended June 30, 2010. Gross inflows were $2.3 billion in the six months ended June 30, 2011, compared with $1.4 billion in the six months ended June 30, 2010. Gross outflows totaled $1.3 billion in the six months ended June 30, 2011, compared with $962 million in the six months ended June 30, 2010. Market appreciation was $689 million in the six months ended June 30, 2011, compared with market depreciation of $122 million in the six months ended June 30, 2010.
Closed-end mutual funds
Closed-end mutual funds assets under management were $6.8 billion at June 30, 2011, a 28% increase from $5.3 billion

at June 30, 2010. The increase in assets under management was due to market appreciation of $1.1 billion and net inflows of $421 million, primarily due to the launch of Cohen & Steers Select Preferred and Income Fund, Inc. ("PSF") during the prior twelve month period.
Average assets under management for closed-end mutual funds were $6.8 billion in the three months ended June 30, 2011, a 21% increase from $5.6 billion in the three months ended June 30, 2010. Average assets under management for closed-end mutual funds were $6.7 billion in the six months ended June 30, 2011, a 20% increase from $5.6 billion in the six months ended June 30, 2010.
Closed-end mutual funds had inflows of $24 million in the three months ended June 30, 2011 through an increase in the use of the funds' credit facilities, compared with outflows of $7 million in the three months ended June 30, 2010. Market appreciation was $76 million in the three months ended June 30, 2011, compared with market depreciation of $414 million in the three months ended June 30, 2010.
Closed-end mutual funds had inflows of $153 million in the six months ended June 30, 2011 through an increase in the use of the funds' credit facilities, compared with outflows of $7 million in the six months ended June 30, 2010. Market appreciation was $303 million in the six months ended June 30, 2011, compared with market depreciation of $224 million in the six months ended June 30, 2010.

Results of Operations
Three Months Ended June 30, 2011 compared with Three Months Ended June 30, 2010

| (in thousands) | Three Months Ended June 30, 2011 | 2010 |
|---|---|---|
| Results of operations | | |
| Total revenue | $61,459 | $44,232 |
| Total expenses | (38,564) | (30,900) |
| Total non-operating income | 1,306 | 2,050 |
| Income before provision for income taxes | $24,201 | $15,382 |

Revenue
Total revenue increased 39% to $61.5 million in the three months ended June 30, 2011 from $44.2 million in the three months ended June 30, 2010. This increase was primarily attributable to higher investment advisory and administration fees resulting from higher average assets under management, which were due to net inflows and market appreciation. Average assets under management in the three months ended June 30, 2011 were $40.9 billion compared with $27.0 billion in the three months ended June 30, 2010.
In the three months ended June 30, 2011, total investment advisory and administration revenue from institutional accounts increased 56% to $22.8 million from $14.6 million in the three months ended June 30, 2010. The increase in institutional account revenue was attributable to higher average assets under management resulting from net inflows of $7.6 billion, primarily from subadviory relationships, and market appreciation of $5.3 billion during the prior twelve month period. Average assets under management for institutional accounts in the three months ended June 30, 2011 were $24.3 billion compared with $14.7 billion in the three months ended June 30, 2010.

In the three months ended June 30, 2011, total investment advisory and administration revenue from open-end mutual funds increased 38% to $20.6 million from $15.0 million in the three months ended June 30, 2010. The increase in open-end mutual fund revenue was attributable to higher average assets under management resulting from market appreciation of $2.2 billion and net inflows of $1.4 billion during the prior twelve month period. Average assets under management for open-end mutual funds in the three months ended June 30, 2011 were $9.8 billion compared with $6.7 billion in the three months ended June 30, 2010.
In the three months ended June 30, 2011, total investment advisory and administration revenue from closed-end mutual funds increased 25% to $14.1 million from $11.3 million in the three months ended June 30, 2010. The increase in closed-end mutual fund revenue was attributable to higher average assets under management resulting from market appreciation of $1.1

19

billion and net inflows of $421 million, primarily due to the launch of PSF, during the prior twelve month period. Average assets under management for closed-end mutual funds in the three months ended June 30, 2011 were $6.8 billion compared with $5.6 billion in the three months ended June 30, 2010.

Expenses

Total operating expenses increased 25% to $38.6 million in the three months ended June 30, 2011 from $30.9 million in the three months ended June 30, 2010, primarily due to increases in employee compensation and benefits, distribution and service fees and general and administrative expenses.

Employee compensation and benefits increased 26% to $21.8 million in the three months ended June 30, 2011 from $17.3 million in the three months ended June 30, 2010. This increase was primarily due to higher incentive bonus and production compensation, net of deferrals, of approximately $2.8 million, higher salaries of approximately $1.1 million and higher amortization of restricted stock units of approximately $568,000.

Distribution and service fee expenses increased 27% to $6.2 million in the three months ended June 30, 2011 from $4.8 million in the three months ended June 30, 2010. This increase was primarily due to higher average assets under management in certain of our open-end no-load mutual funds.

General and administrative expenses increased 19% to $8.9 million in the three months ended June 30, 2011 from $7.5 million in the three months ended June 30, 2010. This increase was primarily due to higher professional fees of approximately $652,000, higher information technology costs of approximately $353,000 resulting from upgrades made to our infrastructure, including application development, higher marketing and printing expenses of approximately $188,000 and higher travel and entertainment of approximately $184,000 due to higher levels of business activities.

Non-operating Income

Non-operating income was $1.3 million in the three months ended June 30, 2011, compared with $2.1 million in the three months ended June 30, 2010. The second quarter 2010 results included a gain of approximately $3.1 million primarily due to recoveries on the sale of previously impaired securities. Excluding this gain, non-operating loss would have been $1.1 million for the three months ended June 30, 2010. Excluding the $3.1 million gain in the second quarter of 2010, the increase in non-operating income in the three months ended June 30, 2011 compared with the three months ended June 30, 2010 was primarily attributable to gains in our equity investment in the offshore global real estate long-short fund.

Income Taxes

We recorded an income tax expense of $8.4 million in the three months ended June 30, 2011, compared with $3.8 million in the three months ended June 30, 2010. The provision for income taxes in the three months ended June 30, 2011 included U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 35%. The effective tax rate of 25% in the three months ended June 30, 2010 included discrete items, the most significant of which is attributable to the sale of previously impaired securities. Excluding the discrete items, the effective tax rate for the three months ended June 30, 2010 was approximately 34%. We expect our tax rate for the full year 2011 to approximate 35%, excluding discrete items.

Six Months Ended June 30, 2011 compared with Six Months Ended June 30, 2010

| | Six Months Ended June 30, 2011 | |
|---|---|---|
| (in thousands) | 2011 | 2010 |
| Results of operations | | |
| Total revenue | $116,214 | $85,576 |
| Total expenses | (74,406) | (59,815) |
| Total non-operating income | 2,281 | 3,085 |
| Income before provision for income taxes | $44,089 | $28,846 |

Revenue

Total revenue increased 36% to $116.2 million in the six months ended June 30, 2011 from $85.6 million in the six

months ended June 30, 2010. This increase was primarily attributable to higher investment advisory and administration fees resulting from higher average assets under management, which were due to net inflows and market appreciation. Average assets under management in the six months ended June 30, 2011 were $38.5 billion compared with $26.0 billion in the six months ended June 30, 2010.

In the six months ended June 30, 2011, total investment advisory and administration revenue from institutional accounts increased 49% to $42.2 million from $28.4 million in the six months ended June 30, 2010. The increase in institutional account revenue was attributable to higher levels of average assets under management resulting from net inflows of $7.6 billion, primarily from subadvisory relationships, and market appreciation of $5.3 billion during the prior twelve month period. Average assets under management for institutional accounts in the six months ended June 30, 2011 were $22.5 billion compared with $13.9 billion in the six months ended June 30, 2010.

In the six months ended June 30, 2011, total investment advisory and administration revenue from open-end mutual funds increased 37% to $39.0 million from $28.4 million in the six months ended June 30, 2010. The increase in open-end mutual fund revenue was attributable to higher levels of average assets under management resulting from market appreciation of $2.2 billion and net inflows of $1.4 billion during the prior twelve month period. Average assets under management for open-end mutual funds in the six months ended June 30, 2011 were $9.3 billion compared with $6.5 billion in the six months ended June 30, 2010.

In the six months ended June 30, 2011, total investment advisory and administration revenue from closed-end mutual funds increased 23% to $27.3 million from $22.2 million in the six months ended June 30, 2010. The increase in closed-end mutual fund revenue was attributable to higher levels of average assets under management resulting from market appreciation of $1.1 billion and net inflows of $421 million, primarily due to the launch of PSF during the prior twelve month period. Average assets under management for closed-end mutual funds in the six months ended June 30, 2011 were $6.7 billion compared with $5.6 billion in the six months ended June 30, 2010.

Expenses

Total operating expenses increased 24% to $74.4 million in the six months ended June 30, 2011 from $59.8 million in the six months ended June 30, 2010, primarily due to increases in employee compensation and benefits, distribution and service fees and general and administrative expenses.

Employee compensation and benefits increased 25% to $41.8 million in the six months ended June 30, 2011 from $33.4 million in the six months ended June 30, 2010. This increase was primarily due to higher incentive bonus and production compensation, net of deferrals, of approximately $5.0 million, higher salaries of approximately $2.3 million and higher amortization of restricted stock units of approximately $1.1 million.

Distribution and service fee expenses increased 30% to $11.9 million in the six months ended June 30, 2011 from $9.1 million in the six months ended June 30, 2010. This increase was primarily due to higher average assets under management in certain of our open-end no-load mutual funds.

General and administrative expenses increased 20% to $17.5 million in the six months ended June 30, 2011 from $14.6 million in the six months ended June 30, 2010. This increase was primarily due to higher professional fees of approximately $1.4 million, higher information technology costs of approximately $685,000 resulting from upgrades made to our infrastructure, including application development and higher travel and entertainment of approximately $320,000 due to higher levels of business activities.

Non-operating Income

Non-operating income was $2.3 million in the six months ended June 30, 2011, compared with $3.1 million in the six months ended June 30, 2010. The first half 2010 results included a gain of approximately $3.1 million primarily due to recoveries on the sale of previously impaired securities. Excluding this gain, non-operating loss would have been $62,000 for the six months ended June 30, 2010. Excluding the $3.1 million gain in the first half of 2010, the increase in non-operating income in the six months ended June 30, 2011 compared with the six months ended June 30, 2010 was primarily attributable to gains in our equity investment in the offshore global real estate long-short fund and foreign currency revaluations.

Income Taxes

We recorded an income tax expense of $15.4 million in the six months ended June 30, 2011, compared with $8.4 million

21

in the six months ended June 30, 2010. The provision for income taxes in the six months ended June 30, 2011 included U.S. federal, state, local and foreign taxes at an approximate effective tax rate of 35%. The effective tax rate of 29% in the six months ended June 30, 2010 included discrete items, the most significant of which is attributable to the sale of previously impaired securities. Excluding these discrete items, the effective tax rate for the six months ended June 30, 2010 was approximately 34%. We expect our tax rate for the full year 2011 to approximate 35%, excluding discrete items.

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, equity investments, investments, available-for-sale and accounts receivable. Our cash flows generally result from the operating activities of our business, with investment advisory and administrative fees being the most significant contributor. Cash and cash equivalents, equity investments, investments, available-for-sale and accounts receivable were 81% and 83% of total assets as of June 30, 2011 and December 31, 2010, respectively. Included in equity investments and investments, available-for-sale were approximately $38.8 million of equity investments in our global real estate long-short funds and $4.4 million of primarily auction rate preferred securities, respectively, which were classified as level 2 investments in accordance with the Accounting Standard Codification (the “Codification”) Topic 820, Fair Value Measurements and Disclosures (“Topic 820”), at June 30, 2011. Included in equity investments and investments, available-for-sale at December 31, 2010 were approximately $38.2 million of equity investments in our global real estate long-short funds and $4.9 million of auction rate preferred securities, respectively, which were classified as level 2 investments in accordance with Topic 820. See Note 4 to the condensed consolidated financial statements relating to investments.

Cash and cash equivalents increased by $2.8 million, excluding the effect of foreign exchange rate changes, in the six months ended June 30, 2011. Net cash provided by operating activities was $23.8 million in the six months ended June 30, 2011. Net cash of $3.3 million was used in investing activities, primarily from purchases of $16.0 million of investments, available-for-sale and purchases of $1.2 million of property and equipment, partially offset by proceeds from sales of investments, available-for-sale in the amount of $13.9 million. Net cash of $17.7 million was used in financing activities, primarily for dividends paid to stockholders of $13.0 million, repurchases of common stock of $6.5 million to satisfy employee withholding tax obligations on the delivery of restricted stock units, partially offset by excess tax benefits associated with the delivery of restricted stock units of $1.5 million.

Cash and cash equivalents increased by $14.6 million, excluding the effect of foreign exchange rate changes, in the six months ended June 30, 2010. Net cash provided by operating activities was $12.3 million in the six months ended June 30, 2010. Net cash of $11.5 million was provided by investing activities, primarily from proceeds from sales of investments, available-for-sale in the amount of $21.7 million, partially offset by purchases of $9.4 million of investments, available-for-sale and purchases of $769,000 of property and equipment. Net cash of $9.2 million was used in financing activities, primarily for dividends paid to stockholders of $8.5 million, repurchases of common stock of $3.2 million to satisfy employee withholding tax obligations on the delivery of restricted stock units, partially offset by contributions from redeemable noncontrolling interest of $2.0 million.

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/dealer, as prescribed by the Securities and Exchange Commission (“SEC”). At June 30, 2011, we exceeded our minimum regulatory capital requirements by approximately $1.3 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 Financial Services and Markets Authority. At June 30, 2011, our non-U.S. subsidiaries exceeded their aggregate minimum regulatory requirements by approximately $55.9 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.

Included in cash and cash equivalents and investments, available-for-sale were approximately $62.3 million held by our foreign subsidiaries as of June 30, 2011. We believe that our cash and cash equivalents and short term investments held in the U.S. are more than sufficient to cover our working capital needs. It is our current intention to permanently

reinvest these funds outside of the U.S.



---

Contractual Obligations and Contingencies

We have contractual obligations to make future payments in connection with our non-cancelable operating lease agreements for office space. There were no material capital lease obligations as of June 30, 2011. The following summarizes our contractual obligations as of June 30, 2011 (in thousands):

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 and after | Total |
|---|---|---|---|---|---|---|---|
| Operating leases | $3,854 | $7,876 | $8,080 | $1,523 [(1)] | $541 | $297 | $22,171 |

(1) The lease for our corporate headquarters in New York City expires in 2014.

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 condensed consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of our condensed consolidated financial statements requires us 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. We believe the estimates used in preparing the condensed consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

A thorough understanding of our accounting policies is essential when reviewing our reported results of operations and our financial position. 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, 2010.

Investments

We determine the appropriate classification of our investments at the time of purchase and re-evaluate such determination at each statement of financial condition date.

Securities owned and securities sold but not yet purchased are classified as trading securities and are measured at fair value based on quoted market prices, market prices obtained from independent pricing services engaged by management or as determined by our fair value committee, with unrealized gains and losses recorded as gain (loss) from trading securities reported in our condensed consolidated statements of operations.

Investments classified as equity investments are accounted for using the equity method, under which we recognize our respective share of the investee’s net income for the period. The carrying amounts of these investments approximate their fair value.

Investments classified as available-for-sale are comprised of equity securities, investment-grade preferred instruments and investments in our sponsored open-end and closed-end mutual funds. These investments are carried at fair value based on quoted market prices or market prices obtained from independent pricing services engaged by management, 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 of a security position is other than temporary, the loss will be recognized in our condensed consolidated statements of operations.

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 amounts. Finite lived intangible assets are amortized over their useful lives. We determined that the fair values of our goodwill and indefinite lived intangible assets substantially exceeded their carrying values as a result of the most recent impairment test performed as of

November 30, 2010.

Stock-based Compensation

We recognize compensation 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. We also estimate forfeitures.

Income Taxes

We record the current and deferred tax consequences of all transactions that have been recognized in the condensed consolidated financial statements in accordance with 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. We record a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not will be realized. 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.

Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued new guidance eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The new guidance requires changes to the components of net income and comprehensive income in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The new guidance should be applied retrospectively. This new guidance is effective for the first quarter of our 2012 fiscal year. We do not anticipate the adoption of this new guidance to have a material impact on our condensed consolidated financial statements.

In May 2011, the FASB issued new guidance regarding fair value measurement and disclosures. The new guidance results in common fair value measurement and disclosure requirements in U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Requirements. This new guidance changed the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance is effective for the first quarter of our 2012 fiscal year. We do not anticipate the adoption of this new guidance to 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 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 in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2010, which is accessible on the Securities and Exchange Commission’s Web site at www.sec.gov and on our Web site at 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

There have been no material changes in our Quantitative and Qualitative Disclosures About Market Risk from those previously reported in our annual report on Form 10-K for the year ended December 31, 2010.

## Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Co-Chief Executive Officers and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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 Exchange Act) as of June 30, 2011.

Based on that evaluation and subject to the foregoing, our Co-Chief Executive Officers and our Chief Financial Officer have concluded that our disclosure controls and procedures as of June 30, 2011 were effective to accomplish their objectives at a reasonable assurance level.

There has been no change in our internal control over financial reporting that occurred during the three months ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—Other Information

Item 1. Legal Proceedings

From time to time, we are involved in legal matters relating to claims arising in the ordinary course of business. There are currently no such matters pending that we believe could have a material adverse effect on our business or financial condition.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see Part 1, Item 1A of our 2010 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 2010 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2011, 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 Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|---|
| April 1 through April 30, 2011 | 618 | (1) | $29.29 | — | — |
| May 1 through May 31, 2011 | 943 | (1) | $29.93 | — | — |
| June 1 through June 30, 2011 | 2,846 | (1) | $29.57 | — | — |
| Total | 4,407 | | $29.61 | — | — |

(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(2) |
| 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 Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | —Certification of the Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.3 | —Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | —Certification of the Co-Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 32.2 | —Certification of the Co-Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 32.3 | —Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 101 | The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 are furnished herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Financial Condition as of June 30, 2011 and December 31, 2010, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2011 and 2010, (iv) the Condensed Consolidated Statement of Changes in Stockholders' Equity and Redeemable Noncontrolling Interest for the six months ended June 30, 2011, (v) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010, and (vi) the Notes to the Condensed Consolidated Finance Statements. |

---

(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.

(2) Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q (Commission File No. 001-32236) for the quarter ended June 30, 2008.

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: August 8, 2011 | Cohen & Steers, Inc. |
| | /s/ Matthew S. Stadler |
| | Name: Matthew S. Stadler |
| | Title: Executive Vice President & Chief Financial Officer |
| Date: August 8, 2011 | Cohen & Steers, Inc. |
| | /s/ Bernard M. Doucette |
| | Name: Bernard M. Doucette |
| | Title: Senior Vice President & Chief Accounting Officer |

28