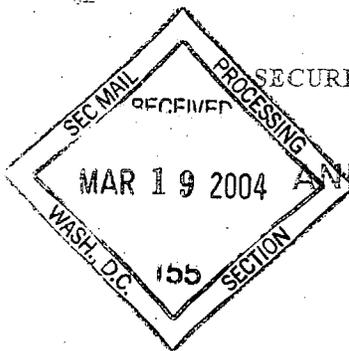




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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 2004  
Estimated average burden  
hours per response: 12.00

SEC FILE NUMBER  
8-52468

ANNUAL AUDITED REPORT  
FORM X-17A-5 (A)  
PART III  
Revised  
FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cohen Bros. & Company, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1818 MARKET STREET 28<sup>th</sup> FLOOR

(No. and Street)

PHILADELPHIA

(City)

PA

(State)

19103

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MICHAEL SHEKMAN

215.861.7808

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

GRANT THORNTON

(Name - if individual, state last, first, middle name)

2 COMMERCE SQUARE

(Address)

SUITE 3800

(City)

2001 MARKET STREET

(State)

(Zip Code)

PHILADELPHIA PA 19103

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

APR 01 2004

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

KY  
322

BB

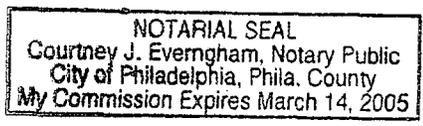
OATH OR AFFIRMATION

I, MICHAEL SHENKMAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COHEN BROS. COMPANY INC., as of DECEMBER 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Signature  
CFO  
Title

[Signature]  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Report Pursuant to Rule 17a-5 and Report of Independent Certified Public Accountants  
**Cohen Bros. & Company, Inc.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**  
December 31, 2003



## CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL CONDITION	4
STATEMENT OF OPERATIONS	5
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION	15
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION	16

## Report of Independent Certified Public Accountants

Board of Directors  
Cohen Bros. & Company, Inc.

We have audited the accompanying statements of financial condition of Cohen Bros. & Company, Inc. (a wholly-owned subsidiary of Cohen Bros. Financial, LLC), as of December 31, 2003, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Cohen Bros. & Company, Inc., as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Philadelphia, Pennsylvania  
February 6, 2004

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Statement of Financial Condition

December 31, 2003

ASSETS

Cash	\$ 1,593,720
Deposit with clearing broker	100,233
Receivable from clearing broker	48,428
Accrued interest receivable	3,445
Loan receivable	363,057
Furniture and equipment, net	92,422
Goodwill	249,230
Intangible asset, net	155,000
Reimbursable advances due from Parent	346,668
Other assets	<u>343,381</u>
	<u>\$ 3,295,584</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Other liabilities	\$ <u>1,167,280</u>
Stockholder's equity	
Common stock, \$0.01 par value; 1,000 shares authorized, 100 shares issued and outstanding	1
Additional paid-in capital	2,345,499
Accumulated deficit	<u>(217,196)</u>
Total stockholder's equity	<u>2,128,304</u>
	<u>\$ 3,295,584</u>

The accompanying notes are an integral part of this statement.

**COHEN BROS. & COMPANY, INC.**  
(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)

Statement of Operations

Year ended December 31, 2003

Revenues	
Commissions	\$ 3,441,924
Investment banking	3,500,484
Interest and other income	<u>29,910</u>
Total revenues	<u>6,972,318</u>
Expenses	
Employee compensation and benefits	4,506,432
Occupancy and equipment	94,062
Professional fees	67,518
Regulatory fees	56,590
Advertising	251,604
Clearing fees	395,828
Investment banking	1,136,769
Research department	97,235
Amortization of intangible assets	20,000
Management fee expense - parent	110,000
Other operating expenses	<u>255,579</u>
Total expenses	<u>6,991,617</u>
Net loss before income taxes	(19,299)
Income tax expense	<u>-</u>
NET LOSS	<u>\$ (19,299)</u>

The accompanying notes are an integral part of this statement.

**COHEN BROS. & COMPANY, INC.**  
(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)

Statement of Changes in Stockholder's Equity

Year ended December 31, 2003

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at January 1, 2003	\$ 1	\$ 1,345,499	\$ (157,897)	\$ 1,187,603
Capital contributions from parent	-	1,000,000	-	1,000,000
Distributions	-	-	(40,000)	(40,000)
Net loss	<u>-</u>	<u>-</u>	<u>(19,299)</u>	<u>(19,299)</u>
Balance at December 31, 2003	<u>\$ 1</u>	<u>\$ 2,345,499</u>	<u>\$ (217,196)</u>	<u>\$ 2,128,304</u>

The accompanying notes are an integral part of this statement.

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Statement of Cash Flows

Year ended December 31, 2003

Cash flows from operating activities	
Net loss	\$ (19,299)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation and amortization	12,922
Amortization of intangible asset	20,000
Gain on insurance settlement	(485)
Decrease in net receivable from clearing broker	58,509
Increase in clearing broker deposit	(80,169)
Increase in interest receivable	(3,445)
Increase in other assets	2,594
Increase in other liabilities	<u>958,595</u>
Net cash provided by operating activities	<u>949,222</u>
Cash flows from investing activities	
Purchase of furniture and equipment	(57,470)
Proceeds from disposal of equipment	1,935
Issuance of promissory note	(355,000)
Repayment of loan receivable and promissory note	103,143
Advances to Parent	(1,395,000)
Payments of advances by Parent	<u>1,050,000</u>
Net cash used in investing activities	<u>(652,392)</u>
Cash flows from financing activities	
Capital contributions from Parent	1,000,000
Distribution to owners	<u>(40,000)</u>
Net cash provided by financing activities	<u>960,000</u>
NET INCREASE IN CASH	1,256,830
Cash at beginning of year	<u>336,890</u>
Cash at end of year	<u>\$ 1,593,720</u>

The accompanying notes are an integral part of this statement.

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Notes to Financial Statements

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cohen Bros. & Company (the Company) is a Delaware corporation and was created when Cohen Bros. Financial, LLC (Cohen Financial or Parent) purchased the outstanding stock of FMC Securities Corporation (FMSC) on October 2, 2001. The Company is a wholly-owned subsidiary of Cohen Financial. The Company is a securities broker-dealer, which comprises several classes of service, including securities brokerage and investment banking.

The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc., and the Securities Investor Protection Corporation.

1. Basis of Financial Statement Preparation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The principal estimate that is susceptible to significant change in the near term relates to certain intangible assets, such as goodwill and dealer license. The outstanding goodwill and intangible asset resulted from the acquisition of FMSC. If such benefits, including new business, are not derived or the Company changes its business plan an impairment may be recognized.

2. Securities Transactions

Transactions in securities are recorded on a settlement-date basis.

3. Investment Banking

Investment banking revenues include fees arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing financial restructuring advisory services. Investment banking management fees are recorded on the offering date and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

4. Goodwill and Intangible Asset

The outstanding goodwill and intangible asset resulted from the acquisition of FMSC in 2001. The Company has recognized an intangible asset for the dealer license of \$200,000, which is being amortized on a straight-line basis over ten years. The Company recorded amortization expense for the intangible asset of \$20,000 for the year ended December 31, 2003.

(Continued)

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Notes to Financial Statements - Continued

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Intangible Assets* on October 1, 2001, date of acquisition of FMSC. Accordingly, the Company did not amortize the goodwill from the acquisition of FMSC. SFAS No. 142 modifies the accounting for all purchased goodwill and intangible assets. SFAS No. 142 requires companies to test goodwill and indefinite lived intangible assets for impairment rather than amortize them and, accordingly, the Company has not recorded amortization expense for the goodwill recorded. The Company completed its annual impairment testing and no impairment was identified.

5. Furniture and Equipment

Furniture and equipment are carried at cost. Depreciation is generally computed on the straight-line methods over the estimated useful lives of the assets.

6. Income Taxes

The Company accounts for income taxes under the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

7. Advertising

Advertising expenses are expensed as incurred.

8. Variable Interest Entities

In January 2003, the Financial Accounting Standards Board (FASB) released Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 requires that all primary beneficiaries of Variable Interest Entities (VIE) consolidate that entity. FIN 46 is effective immediately for VIEs created after January 31, 2003 and to VIEs to which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to VIEs in which an enterprise holds a variable interest it acquired before February 1, 2003. In December 2003, the FASB published a revision to FIN 46 (FIN 46R) to clarify some of the provisions of the interpretation and defer to the effective date of implementation for certain entities. Under the guidance of FIN 46R, entities that do not have interests in structures that are commonly referred to as special purpose entities are required to apply the provisions of the interpretation in financial statements for periods ending after March 14, 2004. Management has evaluated the provisions of FIN 46 and does not believe that the Company has any VIEs.

NOTE B - RECEIVABLE FROM CLEARING BROKER

The Company conducts business through its clearing broker for its proprietary accounts. The Company also introduces customer accounts on a fully disclosed basis to the clearing broker and earns revenues and incurs expenses from activities in those accounts. The clearing and depository operations for the Company's customer

(Continued)

**COHEN BROS. & COMPANY, INC.**  
(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)

Notes to Financial Statements - Continued

December 31, 2003

NOTE B - RECEIVABLE FROM CLEARING BROKER - Continued

accounts and proprietary accounts are performed by its clearing broker pursuant to a clearance agreement. All amounts receivable from the clearing broker, reflected on the statement of financial condition, are positions carried by and amounts due from this clearing broker.

NOTE C - LOAN RECEIVABLE

On September 4, 2003, the Company entered into an unsecured loan with an officer. The loan bears interest at 5% annually and expires on September 4, 2018. The balance at December 31, 2003 is \$70,000. Interest income recognized and accrued for the year ended December 31, 2003 was \$1,141.

On November 3, 2003, the Company entered into an unsecured loan with one of the members of Cohen Financial. The loan bears interest at 5% annually and expires on November 3, 2018. The balance at December 31, 2003 is \$285,000. Interest income recognized and accrued for the year ended December 31, 2003 was \$2,303.

NOTE D - FURNITURE AND EQUIPMENT

Furniture and equipment are as follows:

	<u>Estimated useful lives</u>	
Computer equipment	5 years	\$ 83,076
Furniture and equipment	3 to 5 years	<u>29,098</u>
		112,174
Less accumulated depreciation		<u>(19,752)</u>
		<u>\$ 92,422</u>

Depreciation expense was \$12,922 for the year ended December 31, 2003.

NOTE E - INCOME TAXES

The Company has not recorded current income tax expense due to its utilization of a net operating loss carryforward from the year ended December 31, 2003. As of December 31, 2003, the Company has net operating loss carryover of approximately \$47,000, expiring through 2022. As of December 31, 2003, a deferred tax asset has not been recognized with respect to the net operating loss.

Deferred income taxes are provided for the temporary difference between the financial reporting basis and the tax basis of the Bank's assets and liabilities.

(Continued)

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Notes to Financial Statements - Continued

December 31, 2003

NOTE E - INCOME TAXES - Continued

Net deferred tax assets and liabilities consist of the following:

Charitable contributions	\$ 23,812
Depreciation and amortization	(17,059)
Net operating loss carryforwards	15,916
Other	<u>3,243</u>
	25,912
Less valuation allowance	<u>(25,912)</u>
Net deferred tax asset	\$ <u>          -</u>

In view of the Company's operating loss history and the risks associated with its ability to generate taxable income in the future, management has provided for the valuation allowance reflected in the schedule above.

NOTE F - EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) savings plan covering substantially all employees of the Company. Under the plan, the Company matches 50% of employee contributions for all participants, not to exceed 3% of their salary. Contributions made by the Company were \$187,229 for the year ended December 31, 2003.

NOTE G - RELATED PARTY TRANSACTIONS

The Company pays certain direct expenses as outlined in its Management and Expense Agreement, with Cohen Financial, including salaries, employee benefit costs, registration fees, and other related expenses incurred on behalf of the Company.

In 2003, the Company advanced funds to the Parent for a deposit of \$346,668. The Company anticipates the repayment of this advance in 2004. In addition, the Company advanced funds to the Parent of \$1,050,000 which were repaid in 2003.

The Company provides brokerage and investment banking services for the following affiliates.

The Bancorp, Inc. (TheBancorp), whose Chairman is a member of Cohen Bros. Financial LLC, paid the Company \$429,000 for brokerage services during the year ended December 31, 2003. The Company recorded investment banking income of \$214,000 from TheBancorp during the year ended December 31, 2003.

Resource America, Inc. (RAI), a NASDAQ company trading under the symbol REXI, whose Director is a member of Cohen Financial, paid the Company \$29,455 investment banking for the year ended December 31, 2003.

(Continued)

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Notes to Financial Statements - Continued

December 31, 2003

NOTE G - RELATED PARTY TRANSACTIONS - Continued

Henmar LLC (Henmar), owned by a member of Cohen Bros Financial, paid the Company \$540,974 for investment banking for the year ended December 31, 2003. Dekania Capital Management, LLC, a wholly-owned subsidiary of the Parent, is the collateral manager for Dekania CDO I Ltd. Dekania CDO I Ltd. paid the Company \$432,775 for investment banking for the year ended December 31, 2003. Cohen Bros Financial Management, LLC (Cohen Management), a wholly-owned subsidiary of the Parent, is the collateral manager for Alesco Preferred Funding I, Ltd and Alesco Preferred Funding II, Ltd. Alesco Preferred Funding I, Ltd. paid the Company \$248,500 for investment banking for the year ended December 31, 2003. Alesco Preferred Funding II, Ltd. paid the Company \$73,500 for investment banking for the year ended December 31, 2003.

The Company performs accounting and loan placement services for Partnerships owned by members of Cohen Financial. No formal agreements are executed for these arrangements. Fees paid for the year ended December 31, 2003 were \$211,798. In addition, the Company is performing accounting and booking services for these partnerships and has recorded \$8,000 of deferred revenue, included in other liabilities, which will be recognized over a 10 year period.

The Company maintains some of its bank accounts with TheBancorp. As of December 31, 2003, the Company had \$1,593,720 in deposits at TheBancorp.

The Company subleases office space from TheBancorp at a rate of \$6,761 per month commencing in July 2002. Prior to July 2002, the Company leased their office space from TheBancorp at a rate of \$1,000 per month. The Company is also responsible to pay certain common costs. Rent expense for the year ended December 31, 2003 was \$81,140, of which \$33,762 is due to TheBancorp at December 31, 2003.

Commencing in July 2002, the Company also pays \$1,000 per month for technical support and \$3,600 per month fee for the telephone system to the Bancorp. The Company has paid \$52,392 for the year ended December 31, 2003, of which \$5,582 is due as of December 31, 2003.

NOTE H - COMMITMENTS

1. Lease Arrangement

The Company entered into leases that expire in 2010. The approximate annual minimum lease payments as of December 31, 2003 are:

2004	\$ 136,000
2005	136,000
2006	136,000
2007	136,000
2008	<u>136,000</u>
	<u>\$ 680,000</u>

(Continued)

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Notes to Financial Statements - Continued

December 31, 2003

NOTE H - COMMITMENTS - Continued

Rent expense for the year ended December 31, 2003 was \$81,140.

2. Clearing Broker Arrangement

In April 2002, the Company entered into an agreement with a new clearing broker. Under this agreement, the Company is required to maintain a \$100,000 deposit throughout the life of the contract and pay a termination fee if the contract is terminated prior to 2004. The termination fee is \$15,000 if terminated in 2004.

NOTE I - NET CAPITAL REQUIREMENT

The Company is subject to the net capital provisions of Rule 15c3-1 under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined. As applied to the Company, the rule requires minimum net capital of \$100,000. As of December 31, 2003, the Company's net capital was \$575,101, which exceeds the minimum requirements by \$475,101.

NOTE J - RESERVE REQUIREMENTS

As of December 31, 2003, the Company is not subject to the reserve requirements under Rule 15c3-3 of the Securities Exchange Act of 1934 because it qualifies for an exemption under Rule 15c3-3(k)(2)(ii). The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

SUPPLEMENTAL INFORMATION

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2003

Net capital	
Total stockholder's equity	\$ <u>2,128,304</u>
Deductions	
Nonallowable assets	
Furniture and equipment, net	92,422
Loan receivable	363,057
Accrued interest receivable	3,445
Goodwill	249,230
Intangible asset	155,000
Reimbursable advance from Parent	346,668
Other assets	<u>343,381</u>
Total deductions	1,553,203
Net capital	575,101
Minimum net capital required	<u>100,000</u>
Excess net capital	\$ <u>475,101</u>
Aggregate indebtedness	\$ <u>1,167,280</u>
Ratio of aggregate indebtedness to net capital	245.69%

No material differences exist between the above computation and the computation included in the Company's corresponding unaudited Form X-17A-5(d) Part IIA filing.

**COHEN BROS. & COMPANY, INC.**  
**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

Computation for Determination of Reserve Requirements under Rule 15c3-3  
of the Securities and Exchange Commission

December 31, 2003

As of December 31, 2003, the Company is not subject to the reserve requirements under Rule 15c3-3 of the Securities Exchange Act of 1934 because it qualifies for an exemption under Rule 15c3-3(k)(2)(ii). The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

Independent Auditors' Supplementary Report on Internal Controls

**Cohen Bros. & Company, Inc.**

**(a wholly-owned subsidiary of Cohen Bros. Financial, LLC)**

December 31, 2003



## Independent Auditors' Supplementary Report on Internal Controls

Member  
Cohen Bros. & Company, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Cohen Bros. & Company, Inc. (a wholly-owned subsidiary of Cohen Bros. Financial, LLC) (the Company), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the reserve requirements required by Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions related to customer securities, we did not review the practices and procedures followed by the Company in any of the following: (1) making the quarterly securities examinations, counts, verifications and comparisons, (2) recordation of differences required by Rule 17a-13; (3) complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal controls and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control, and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal controls and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal controls that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal controls, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

  
Philadelphia, Pennsylvania  
February 6, 2004

Grant Thornton 

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