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

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ANNUAL AUDITED REPORT Section

FORM X-17A-5 PART III

MAR 01 2011

SEC FILE NUMBER 8-43078

FACING PAGE Washington, DC 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 01/01/10 AND ENDING 12/31/10 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cain Brothers & Company, LLC

OFFICIAL USE ONLY FIRM I.D. NO.

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

360 Madison Avenue, 5th Floor

(No. and Street)

New York

NY

10017

(City)

(State)

(Zip Code)

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

Rhett D. Thurman

(212) 869-5600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton, LLP

60 Broad Street

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

New York

NY

10004

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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)

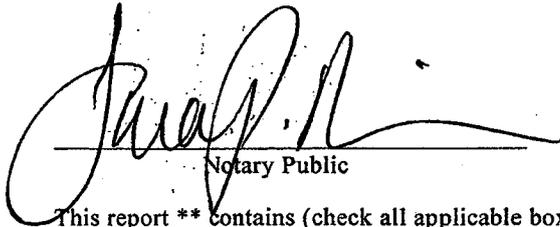
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OATH OR AFFIRMATION

I, Rhett D. Thurman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cain Brothers & Company, LLC, as of December 31, 2010, 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

Managing Director
Title


Notary Public

Tara Payne-Mills
Notary Public, State of New York - License No. 01PA4998720
Qualified in Nassau County, Certificate filed in New York County
Commission Expires July 6, 2014

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~~. Cash Flows.
- (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 15c3-1 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).

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Washington, DC
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CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND
REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

**CAIN BROTHERS & COMPANY, LLC
AND SUBSIDIARY**

December 31, 2010



Audit • Tax • Advisory

Grant Thornton LLP
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
Cain Brothers & Company, LLC

We have audited the accompanying consolidated statement of financial condition of Cain Brothers & Company, LLC and Subsidiary (the "Company") as of December 31, 2010. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position of Cain Brothers & Company, LLC and Subsidiary as of December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
February 28, 2011

Cain Brothers & Company, LLC and Subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2010

ASSETS

Cash and cash equivalents	\$ 8,140,062
Fees receivable, net of reserves of \$208,029	3,635,764
Due from clearing broker	406,538
Securities owned, at fair value	350,000
Investments, at fair value	2,231,092
Property and equipment - net of accumulated depreciation and amortization of \$2,129,621	471,306
Prepaid expenses and other assets	<u>2,009,728</u>
Total assets	<u>\$17,244,490</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities	
Bonus and profit-sharing payable	\$ 2,538,755
Accounts payable, accrued expenses and other liabilities	<u>3,624,418</u>
Total liabilities	<u>6,163,173</u>
Member's equity	
Cain Brothers & Company, Incorporated	<u>11,081,317</u>
Total member's equity	<u>11,081,317</u>
Total liabilities and member's equity	<u>\$17,244,490</u>

The accompanying notes are an integral part of this statement.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2010

NOTE A - ORGANIZATION

Cain Brothers & Company, LLC (the "Company") was formed under the laws of the state of Delaware as a limited liability company on June 18, 1997, and began operations under the Amended and Restated Limited Liability Company Operating Agreement (the "Agreement") as of August 1, 1997. As of December 31, 2010, the Company is operating under the Third Amended and Restated Limited Liability Company Operating Agreement (the "New Agreement"). The Company, which was formed by Cain Brothers & Company, Incorporated ("Cain") subject to the Asset Contribution Agreement dated August 1, 1997, filed an amendment to its Form BD and assumed the broker-dealer license of Cain.

The term of the Company will expire on December 31, 2048, unless certain events (as defined in the New Agreement) occur prior to this date to effect the termination of the Company.

The Company is an investment banking and financial advisory firm concentrating on the health care industry. The Company is a registered broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation. Securities transactions are cleared on a fully disclosed basis through Pershing, LLC (the "Clearing Broker"). As the Company does not carry customer accounts, it is exempt from the Securities and Exchange Commission's ("SEC") Rule 15c3-3 pursuant to provision (k)(2)(ii) of such rule.

The Company is also the sole member of Cain Brothers RE LLC (organized as a Delaware LLC on February 24, 2005), a licensed real estate broker which offers financial advisory and brokerage services related to medical real estate assets.

NOTE B - BACKGROUND

Cain formed the Company on June 18, 1997, and was the sole member of the Company as of this date. On August 1, 1997, Cain amended the limited liability company operating agreement to admit Banc One Capital Partners, LLP ("Banc One") as a member of the Company. On August 1, 1997, Cain contributed certain assets, at their carrying value, to the Company in exchange for the Company assuming certain liabilities of Cain, at their carrying value, and issuing 750 of the Company's common units. On October 4, 2000, Cain amended its limited liability agreement to effect the withdrawal of Banc One's membership and admit Able Health Ventures LLC ("Lehman"), a wholly owned subsidiary of Lehman Brothers Holdings, Inc., as a member of the Company. On March 31, 2006, Cain made an additional contribution of capital to the Company which was used to redeem in full the preferred interest of Lehman at its carrying value (the "Lehman Redemption"). The Lehman Redemption did not affect the Company's capital; as a consequence of this transaction, the Company became a single-member LLC.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE B (continued)

Effective with the Lehman Redemption, the business and affairs of the Company have been managed and controlled by Cain as the sole member. On December 14, 2007, Cain entered into a credit agreement with CapitalSource CF, LLC ("CapitalSource") which facilitated Cain's recapitalization and redemption of a portion of the equity interest in Cain held by Daniel and James Cain (its founders). Pursuant to the credit agreement, Cain pledged its assets, including its membership interest in the Company, to CapitalSource. Also pursuant to the credit agreement, Cain caused the Company to enter into a letter agreement which stipulated that an amendment to the Company's Operating Agreement would be adopted on or before March 14, 2008. This amendment, made on March 10, 2008, caused the Company to make quarterly distributions to Cain to the extent that the Company's earnings and regulatory capital are sufficient to allow such distributions. Accordingly, any undistributed earnings are accounted for as a liability in accordance with guidance issued by the Financial Accounting Standards Board ("FASB") establishing accounting standards related to financial instruments with characteristics of both liabilities and equity.

The credit agreement between Cain and CapitalSource has been amended from time to time, most recently by a Limited Consent and Third Amendment to the Credit Agreement, effective September 28, 2010, which among other provisions amended certain financial covenants and the Company's obligation to make distributions to Cain. The principal balance of Cain's loan from CapitalSource was \$10,014,821 as of December 31, 2010. In accordance with the credit agreement, the remaining unpaid principal amount is due to be repaid in semiannual principal installments of \$750,000, as well as interest payments throughout the term of the loan with the balance due no later than December 31, 2012 (See Note D).

Concurrent with the CapitalSource transaction, Cain designated two officers to manage the affairs of the Company, subject to Cain's supervision and control. These officers and certain other management employees of the Company are shareholders in Cain and are paid by the Company through compensation.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The Company's consolidated statement of financial condition conforms with accounting principles generally accepted in the United States of America.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE C (continued)

2. *Cash and Cash Equivalents*

The Company considers all highly liquid investments purchased with a remaining maturity of 90 days or less to be cash equivalents. Cash and cash equivalents include cash in bank accounts and deposits in money market fund.

Cash on deposit with banks as of December 31, 2010 was within insured limits. Cash deposited in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

3. *Fees Receivable*

Fees receivable are comprised of billed invoices and work-in-process for engagements on which the Company's work is substantially complete and its fees deemed to be earned, but which are unbilled at December 31, 2010. Fees receivable associated with billed invoices are carried net of reserves, which are established primarily on an aging basis, as an allowance for doubtful accounts. Fees receivable are written off when deemed uncollectible.

4. *Securities Transactions*

Securities transactions and related revenues and expenses are recorded on a trade-date basis. Amounts related to unsettled securities transactions are reported net on the consolidated statement of financial condition.

Securities owned are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

Effective January 1, 2008, the Company adopted the guidance issued by the FASB to establish accounting and reporting standards related to fair value measurements. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE C (continued)

The three levels of the fair value hierarchy under the guidance are described as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange-traded equity securities, listed derivatives, most U.S. government and agency securities, and certain other sovereign government obligations).

Level 2 - Financial assets and liabilities whose values are based on the following:

- a. Quoted prices for similar assets or liabilities in active markets (for example, restricted stock)
- b. Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently)
- c. Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps)
- d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (for example, certain mortgage loans)

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include private equity investments, certain commercial mortgage whole loans and long-dated or complex derivatives, including certain foreign exchange options and long-dated options on gas and power).

5. Due From or To Clearing Broker

The amount due from or to clearing broker primarily represents receivables for funds held by the clearing broker which result from cash deposits and proceeds from realized securities transactions or amounts due to clearing broker on settled securities transactions. It is the Company's policy to monitor the credit standing of the clearing broker with whom it conducts business.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE C (continued)

6. *Fixed Assets*

Fixed assets are stated at cost less accumulated depreciation and amortization. The costs of additions and betterments are capitalized, while repair and maintenance costs along with the cost of minor equipment, are charged to operations in the periods incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is provided using the straight-line method over the shorter of the estimated useful life or the lease term.

When an asset is retired or otherwise disposed of, the cost and related depreciation and amortization are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Assets under development are transferred to the related fixed asset account when development is complete and the asset is ready for service.

7. *Software Development Costs*

Direct development costs associated with internal-use computer software are accounted for under guidance relating to accounting for the costs of computer software developed or obtained for internal use, and are capitalized including external direct costs of material and services and payroll cost for employees devoting time to the software projects. Costs incurred during the preliminary project stage, as well as for maintenance and training are expensed as incurred. Amortization is provided on a straight-line basis over the estimated economic life of the software application, generally three years.

8. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE C (continued)

9. Taxes

The Company became a single-member limited liability company effective April 1, 2006, and thus is presently a disregarded entity for tax purposes. The operations of the Company will be included in the taxable income of the member. There is no tax sharing agreement between the Company and member and there have been no distributions to the member specifically for reimbursement of taxes.

As required by the FASB uncertain tax position guidance, the Company recognizes the financial statement benefit of a tax position, for those jurisdictions that apply an entity level tax, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For the year ended December 31, 2010, the Company did not have any material uncertain tax positions for open tax years from 2007.

10. Consolidation

The consolidated statement of financial condition includes the accounts of Cain Brothers RE LLC, its wholly owned subsidiary. All intercompany balances have been eliminated in consolidation.

NOTE D - NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires that net capital, as defined, shall be the greater of \$100,000, or 6-2/3% of aggregate indebtedness, as defined, of \$6,163,173. Net capital and aggregate indebtedness change from day to day, but at December 31, 2010, the Company had net capital of \$4,460,242, which exceeded its requirement of \$410,878 by \$4,049,364.

On the effective date of the First Amendment to the Third Amended and Restated Operating Agreement of the Company (Note B), the Company began making quarterly distributions to Cain in the amount of \$700,000 per quarter, to the extent earnings and regulatory net capital are sufficient to permit such distributions. Pursuant to the terms of the Third Amendment to the Third Amended and Restated Operating Agreement, the quarterly distributions were increased to \$875,000 in 2010 and reduced to \$600,000 beginning in the first quarter of 2011. Accordingly, effective January 1, 2008, the Company began to record undistributed earnings as a "distribution payable" for any undistributed earnings earned subsequent to December 31, 2007, and will continue this practice until Cain's obligations to CapitalSource are satisfied in full. At December 31, 2010, distribution payable amounted to \$400,000 and is included in accounts payable, accrued expenses and other liabilities on the consolidated statement of financial condition.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE E - FIXED ASSETS

Fixed assets consist of the following at December 31, 2010:

	Life <u>(in years)</u>	
Capitalized software costs	3	\$1,820,842
Computer equipment	3	305,563
Furniture and fixtures	5	107,728
Leasehold improvements	(*)	177,035
Machinery and equipment	5	<u>189,759</u>
		<u>2,600,927</u>
Less: accumulated depreciation and amortization		<u>2,129,621</u>
Total fixed assets		<u>\$ 471,306</u>

(*) Amortized over the shorter of the estimated life or the term of the lease.

NOTE F - INVESTMENTS, SECURITIES AND CASH EQUIVALENTS, AT FAIR VALUE

At December 31, 2010, the Company has investments in CB Health Ventures LLC and CB Health Ventures II LLC, collectively referred to as "Ventures," which are included in the accompanying consolidated statement of financial condition at fair value. The Company's investments in Ventures were valued at \$2,210,712, which represents management's estimate of fair value based upon the underlying net asset value of the funds. Ventures makes investments concentrated in the health care industry. The Company committed to contribute approximately \$1,255,000 to Ventures, giving effect to an extension fund for which subscriptions were solicited during 2009. As of December 31, 2010, the Company has made contributions to Ventures totaling approximately \$1,252,000. The Company's most recent capital call, for \$11,072, was made on December 11, 2009.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE F (continued)

As required by guidance issued by the FASB, investments and cash equivalents are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Company's investments and cash equivalents have been classified, the Company has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions. The table below sets forth information about the levels within the fair values hierarchy at which the Company's investments are measured at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund (a)	\$8,134,059	\$ -	\$ -	\$ 8,134,059
Investments and securities	<u>-</u>	<u>350,000</u>	<u>2,231,092</u>	<u>2,581,092</u>
	<u>\$8,134,059</u>	<u>\$ 350,000</u>	<u>\$2,231,092</u>	<u>\$10,715,151</u>

(a) The Money market fund balance is included in cash and cash equivalents on the consolidated statement of financial condition.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, December 31, 2009	\$1,925,220
Realized gains (losses), net	605,817
Unrealized gains (losses), net	(264,990)
Distributions	(34,955)
Transfers in (out) of Level 3, net	<u>-</u>
Balance, December 31, 2010	<u>\$ 2,231,092</u>

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE F (continued)

In reporting its investments in Ventures at fair value, the Company has utilized audited and unaudited financial statements provided by Ventures, which in turn reflect consideration to changes in the current financial condition of Ventures' portfolio companies, their business and financial prospects and the marketability of (and valuations ascribed to) their portfolio investments. While Ventures has adopted the guidance issued by the FASB to establish accounting and reporting standards related to fair value measurements, effective January 1, 2008, the value of Ventures as of any particular date is not necessarily indicative of amounts that may ultimately be realized as a result of future sales or other dispositions of the underlying portfolio investments held. Additionally, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed.

A principal of the Company also serves in a management capacity of Ventures.

NOTE G - RELATED-PARTY TRANSACTIONS

At December 31, 2010, the Company had a \$1,600 receivable from Health Enterprise Partners, a private equity fund of which two officers of the Company serve in a management capacity and a \$1,187,000 receivable from Cain Brothers Asset Management, LLC ("CBAM"), a wholly-owned subsidiary of Cain, for certain administrative and financing services provided to CBAM by the Company under an Expense Sharing and Financing Agreement dated October 31, 2009. The receivables from related parties are included in prepaid expenses and other assets on the consolidated statement of financial condition.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE H - LEASE COMMITMENTS

The Company is obligated under non-cancelable operating leases through August 31, 2017, for office space requiring minimum annual rental payments as follows:

2011	\$1,289,610
2012	1,289,841
2013	1,251,290
2014	1,221,043
2015	1,307,814
Thereafter	<u>1,842,675</u>
	<u>\$8,202,273</u>

The Company maintains a \$462,500 collateral account as security for a lease which is included on the consolidated statement of financial condition in prepaid expenses and other assets.

NOTE I - EMPLOYEE BENEFIT PLAN

The Company has a profit-sharing plan (the "Plan") with a deferred arrangement under Section 401(k) of the Internal Revenue Code. The defined contribution plan is subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

All eligible employees of the Company may participate and all contributions are 100% vested immediately. The Company does not make any matching contributions; however, it may make a discretionary profit-sharing contribution to the Plan.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

**NOTE J - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK
AND CONCENTRATIONS OF CREDIT RISK**

In the normal course of business, the Company enters into underwriting and other securities transactions as principal and agent. The Company is exposed to off-balance-sheet risk of loss on unsettled securities transactions in the event counterparties are unable to fulfill contractual obligations. Pursuant to its agreement with its clearing broker, the Company is liable for amounts uncollected from customers introduced by the Company.

The Company has established various procedures to manage credit exposure related to its transactions with off-balance-sheet risk, including credit approval and collateral requirements.

Investment banking advisory fees includes fees earned from serving as financial adviser to Caritas Christi Health Care which accounts for approximately 11% of total revenue on the consolidated statement of operations for the year ended December 31, 2010.

NOTE K - CONTINGENCIES

On December 30, 2008, a civil complaint was filed in the Los Angeles Superior Court by a client of the Company (including its affiliates) alleging, among other claims, breach of contract relating to a financing transaction completed in 1998. On February 20, 2009, a First Amended Complaint was filed naming, for the first time, the Company as a defendant. A second Amended Complaint and a Third Amended Complaint were filed on May 11, 2010 and January 12, 2011, respectively. Plaintiffs seek compensatory and punitive damages from the Company and other parties.

The Company maintains that the allegations have no merit and are in any event time-barred, and has filed with the Court as of February 15, 2011 both a demurrer to the Third Amended Complaint and a motion for summary judgment to dismiss all claims. This motion is pending as of the date of this report.

To management's knowledge, other than as described above, the Company has no legal contingencies as of December 31, 2010. A reserve of \$90,000 has been established by the Company to cover potential legal expenses associated with this matter, and management believes that the process and resolution of this matter will have no material effect on the financial condition of the Company.

Cain Brothers & Company, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2010

NOTE L - SUBSEQUENT EVENTS

The Company has evaluated events and transactions that may have occurred since December 31, 2010 through the date the statement of financial condition was issued. Management has determined that there are no material events that would require disclosure in the Company's statement of financial condition.