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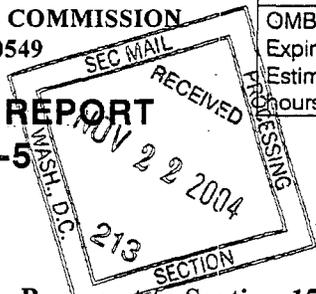
Ad 11-23-2004

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

OMB APPROVAL  
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC FILE NUMBER  
8- 43303

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 10-1-03 AND ENDING 9-30-04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: L.M. Kohn & Company

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

9810 Montgomery Rd.

(No. and Street)

Cincinnati

Ohio

45242-6425

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Tim Heldman (513) 621-7100

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Thomas D. Heldman CPA & Associates, Inc.

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

3101 Carew Tower, 441 Vine St., Cincinnati, Ohio 45202-3003

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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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)

**THOMAS D. HELDMAN CPA & ASSOCIATES, INC.**  
Member of AICPA & OSCP

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**L.M. KOHN & COMPANY**  
**Financial Statements**  
**For The Year Ended**  
**September 30, 2004**

**Report pursuant to rule 17a-5(d) and  
report of independent  
certified public accountants**

3101 Carew Tower  
441 Vine Street  
Cincinnati, Ohio 45202-3003  
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Facsimile: (513) 621-6550  
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To the Stockholder of  
L.M. Kohn & Company

We have audited the accompanying balance sheet of L.M. Kohn & Company (the "Company") as of September 30, 2004, and the related statements of earnings, stockholder's equity, and cash flows for the year then ended. 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 position of L.M. Kohn & Company as of September 30, 2004, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Thomas D Heldman, CPA

November 12, 2004

L.M. KOHN & COMPANY

BALANCE SHEET

September 30, 2004

**ASSETS**

Current Assets

Cash and cash equivalents	\$581,296
Commissions and other fees receivable	268,841
Investment securities designated as available for sale	15,480
Federal tax deposit	28,700
<b>Total Assets</b>	<b><u>\$894,317</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current Liabilities

Commissions payable	\$192,726
Other liabilities	71,231
<b>Total Current Liabilities</b>	<b><u>263,957</u></b>

Stockholder's Equity

Common stock no par value; 100 shares authorized, issued and outstanding	5,000
Contributed capital	3,000
Retained earnings	629,680
Unrealized (loss) on securities	(7,320)
<b>Total Stockholder's Equity</b>	<b><u>630,360</u></b>

<b>Total Liabilities and Stockholder's Equity</b>	<b><u>\$894,317</u></b>
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- See Accompanying Notes and Accountant's Report -

L.M. KOHN & COMPANY

STATEMENT OF EARNINGS

For the year ended September 30, 2004

Revenues

Investment advisory and servicing fees	\$562,446
Commissions	4,835,596
Other revenue	344,398
Total revenues	<u>5,742,440</u>

Expenses

Employee compensation and benefits	1,049,991
Commissions paid	3,621,928
Selling, general and administrative expenses	648,821
Depreciation expense	20,085
Total expenses	<u>5,340,825</u>

**Net Earnings** \$401,615

- See Accompanying Notes and Accountant's Report -

L.M. KOHN & COMPANY

STATEMENT OF STOCKHOLDER'S EQUITY

For the year ended September 30, 2004

	<u>Common stock</u>	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Unrealized (loss) on securities</u>	<u>Total</u>
Balance - October 1, 2003	\$5,000	\$3,000	\$465,065	(\$5,940)	\$467,125
Distributions to stockholder			(237,000)		(237,000)
Net earnings for the year			401,615		401,615
Change in unrealized (loss) on securities				(1,380)	(1,380)
<b>Balance - September 30, 2004</b>	<u><u>\$5,000</u></u>	<u><u>\$3,000</u></u>	<u><u>\$629,680</u></u>	<u><u>(\$7,320)</u></u>	<u><u>\$630,360</u></u>

- See Accompanying Notes and Accountant's Report -

# L.M. KOHN & COMPANY

## STATEMENT OF CASH FLOWS

For the year ended September 30, 2004

### Cash Flows From Operating Activities

Net earnings for the year	\$401,615
Adjustments to reconcile net earnings to net cash provided by operating activities:	20,085
Depreciation	
(Increase) decrease in cash due to changes in:	
Commissions and other fees receivable	74,296
Federal tax deposit	(7,631)
Commissions payable	(60,157)
Other liabilities	35,412
<b>Net cash provided by operating activities</b>	<b>463,620</b>

### Cash Flows Used In Investing Activities

Purchase of equipment and furniture	(3,711)
<b>Net cash (used in) investing activities</b>	<b>(3,711)</b>

### Cash Flows Used In Financing Activities

Distributions to stockholder	(237,000)
<b>Net cash (used in) financing activities</b>	<b>(237,000)</b>

**Increase in cash and cash equivalents** 222,909

Cash and cash equivalents at beginning of year 358,387

Cash and cash equivalents at end of year \$581,296

- See Accompanying Notes and Accountant's Report -

**L.M. KOHN & COMPANY**  
**Notes to Financial Statements**  
**September 30, 2004**

**Note A - Organization and Significant Accounting Policies**

Nature of Business

L.M. Kohn & Company (the "Company"), an Ohio corporation, is a broker of security products and insurance. The Company is a registered securities broker-dealer under the examining authority of the National Association of Securities Dealers, Inc.

The Company derives revenue from investment advisory fees, servicing fees, and commissions by acting as a securities broker-dealer for independent investment representatives who place their securities orders through the Company.

The Company also derives revenues from providing private portfolio management and brokerage services to individuals and institutional investors in a variety of industries.

In its broker-dealer activities, the Company, on a fully disclosed basis, clears all customer transactions through unaffiliated broker-dealers who maintain customer accounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts, investments in money market funds, and required broker-dealer deposits. The two broker-dealer deposits total \$35,007. This amount is not freely withdrawable. The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

Commissions, Advisory and Other Fees

Investment advisory fees and commissions are recognized as earned. The investment advisory fees are based upon a pre-determined percentage of the market value of assets under management. Servicing fees are based upon a quarter end market value.

Commission income is generated from securities transactions and insurance sales executed on behalf of the Company's clients. Such fees are shared between the Company and the Company's registered representatives.

Investment Securities

The Company accounts for investment securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities". SFAS NO. 115 requires that investments in debt and equity securities be categorized as held-to-maturity, trading, or available for sale. All securities held at September 30, 2004 are classified as "available for sale".

**L.M. KOHN & COMPANY**  
**Notes to Financial Statements**  
**September 30, 2004**

**Note A - Organization and Significant Accounting Policies (Cont'd)**

Investment Securities (Cont'd)

Investment securities designated as available for sale consist of the following:

	<u>Fair Market</u> <u>Value</u>	<u>Cost</u>	<u>Unrealized</u> <u>(Loss)</u>
1200 shares NASD common stock	\$8,280	\$15,600	(\$7,320)
Warrant to purchase NASD stock	<u>7,200</u>	<u>7,200</u>	<u>-</u>
Totals	<u>\$15,480</u>	<u>\$22,800</u>	<u>(\$7,320)</u>

The net unrealized loss has been included as a separate component of stockholder's equity.

Federal Tax Deposit

The Company has elected to be taxed as an S-Corporation. As an S-Corporation, the Company does not pay corporate federal and state income taxes on its taxable income; rather the stockholder is liable for income taxes. As of September 30, 2004, the Company maintains a tax deposit with the Internal Revenue Service of \$28,700 assessed on income earned from October 1, 2003 through December 31, 2003. This deposit is necessary for the Company to maintain a fiscal year for tax reporting purposes.

Fixed Assets and Software

Fixed assets and software are carried at cost and include expenditures which extend the useful lives of existing assets. Maintenance, repairs and small purchases are expensed as incurred. For financial reporting, depreciation and amortization are provided on the straight-line and accelerated methods over the useful lives of the assets, estimated to be three to ten years. All fixed assets and software are fully depreciated/amortized as of September 30, 2004.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining 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.

**L.M. KOHN & COMPANY**  
**Notes to Financial Statements**  
**September 30, 2004**

**Note B - Related Party Transactions**

The Company leases office space from the President's spouse for \$72,000 per year. The rent charged approximates rent that would be charged by an unrelated party for similar space. No formal lease exists.

**Note C - 401(K) Plan**

The company maintains a 401(K) plan to which all employees can elect to make contributions. The Company matches 10% of employee contributions without limitation. The Company made matching contributions of \$4,579 in the year ended September 30, 2004.

**Note D - Net Capital Requirements**

The Company is subject to the Uniform Net Capital Rule, Rule 15c3-1 (the Rule), promulgated by the Securities and Exchange Commission, which requires that the Company maintain a minimum net capital of \$50,000 and a ratio of aggregate indebtedness to net capital of not more than 15 to 1, as those terms are defined by the Rule. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.

At September 30, 2004, the Company's net capital, as defined, was \$529,378, which was \$479,378 in excess of the minimum net capital requirement; and its ratio of aggregate indebtedness to net capital, as defined, was .50 to 1.

L.M. KOHN & COMPANY

COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM  
NET CAPITAL RULE 15c3-1 AND NET RECONCILIATION TO THE  
COMPANY'S CORRESPONDING FORM X-17A-5 PART II A FILING

September 30, 2004

Stockholder's equity per balance sheet	\$630,360
Deductions	
Disallowed assets	<u>87,001</u>
Net capital before haircuts	543,359
Haircuts on mutual fund securities	<u>13,981</u>
Net capital	<u>\$529,378</u>
Aggregate indebtedness	
Commissions payable	\$192,726
Other liabilities	<u>71,231</u>
	<u>\$263,957</u>
Ratio of aggregate indebtedness to net capital	.50 to 1
Minimum capital required	\$50,000
Excess of net capital over minimum requirement	<u>\$479,378</u>
Reconciliation with Company's computation (included In Part II of Form X-17A-5 as of September 30, 2004)	
Net capital as reported in Company's unaudited FOCUS report	\$537,589
Net adjustments	<u>8,211</u>
Net capital per above	<u>\$529,378</u>

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**Independent Auditors' Supplemental Report on  
Internal Accounting Control**

To the Stockholder of  
L.M. Kohn and Company

In planning and performing our audit of the financial statements of L.M. Kohn and Company (the "Company") for the year ended September 30, 2004, we considered its internal control, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "Commission"), we have made a study of the practices and procedures followed by the Company that we considered relevant to the objectives stated in Rule 17a-3(a)(11). We did not review the practices and procedures followed by the Company, (i) in making the periodic computations of the reserve required by Rule 15c3-3(e), (ii) in complying with the requirements for prompt payment for securities of Section 8(b) of Regulation T of the Board of Governors of the Federal Reserve System; (iii) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; and (iv) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control 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 internal control policies and procedures, 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 Commission's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance the 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 the 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 irregularities 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 control 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 error or irregularities 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 internal control 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 Commission to be adequate for its purposes in accordance with the Securities and 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 September 30, 2004, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, 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 should not be used for any other purpose.



Thomas D Heldman, CPA

Cincinnati, Ohio

November 12, 2004