

UP 3/18/04



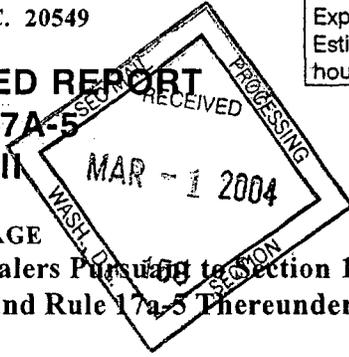
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AM 3-17-2004

OMB APPROVAL  
OMB Number: 3235-0123  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER  
8- 50426

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 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Kurt Salmon Associates Capital Advisors, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1355 Peachtree Street NE, Suite 900  
(No. and Street)

Atlanta  
(City)

Georgia  
(State)

30309  
(Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Windham Brannon, P.C.

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

1355 Peachtree Street NE, Suite 200  
(Address)

Atlanta  
(City)

Georgia  
(State)

30309  
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 29 2004

**FOR OFFICIAL USE ONLY**  
THOMSON FINANCIAL

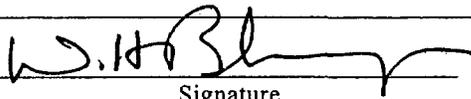
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

AM 3-25-2004

OATH OR AFFIRMATION

I, William H. Beckemeyer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kurt Salmon Associates Capital Advisors, 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

Secretary / Treasurer  
Title

\_\_\_\_\_  
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).

**KURT SALMON ASSOCIATES  
CAPITAL ADVISORS, INC.**

**FORM X-17A-5, PART III  
December 31, 2003**

**KURT SALMON ASSOCIATES CAPITAL ADVISORS, INC.**  
**(A wholly-owned Subsidiary of Kurt Salmon Associates, Inc.)**

**FINANCIAL STATEMENTS**  
**December 31, 2003**

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W I N D H A M   B R A N N O N ,   P . C .  
C E R T I F I E D   P U B L I C   A C C O U N T A N T S

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Kurt Salmon Associates Capital Advisors, Inc.

We have audited the accompanying balance sheet of **Kurt Salmon Associates Capital Advisors, Inc.** (a wholly-owned subsidiary of Kurt Salmon Associates, Inc.) as of December 31, 2003, and the related statements of income and retained earnings and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities 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. 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 Kurt Salmon Associates Capital Advisors, 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.

*Windham Brannon, P.C.*  
Certified Public Accountants

February 25, 2004

**KURT SALMON ASSOCIATES CAPITAL ADVISORS, INC.**  
(A wholly-owned Subsidiary of Kurt Salmon Associates, Inc.)

**BALANCE SHEET**  
**December 31, 2003**

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ASSETS

Cash in bank	\$	16,000
Investments		12,285
Due from parent		<u>4,200</u>
Total Assets	\$	<u>32,485</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	\$	<u>-</u>
Common stock, 1,000 shares authorized, no par value, 160 shares issued and outstanding		16,000
Retained earnings		<u>16,485</u>
Total Stockholder's Equity		<u>32,485</u>
Total Liabilities and Stockholder's Equity	\$	<u>32,485</u>

The accompanying notes are an integral part of these financial statements.

**KURT SALMON ASSOCIATES CAPITAL ADVISORS, INC.**  
**(A wholly-owned Subsidiary of Kurt Salmon Associates, Inc.)**

**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**For The Year Ended December 31, 2003**

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REVENUES:	
Advisory fees	\$ 2,951,768
EXPENSES:	
Services provided by Parent	(2,361,415)
Other professional expenses	(512,923)
INVESTMENT INCOME:	
Realized and unrealized investment losses	<u>(20,815)</u>
Income before income taxes	56,615
INCOME TAXES	<u>(28,853)</u>
NET INCOME	27,762
RETAINED EARNINGS:	
Beginning of year	33,100
Dividends	<u>(44,377)</u>
End of year	<u>\$ 16,485</u>

The accompanying notes are an integral part of these financial statements.

**KURT SALMON ASSOCIATES CAPITAL ADVISORS, INC.**  
(A wholly-owned Subsidiary of Kurt Salmon Associates, Inc.)

**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2003**

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CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 27,762
Adjustments to reconcile net income to net cash provided by operating activities:	
Non-cash investment loss	20,815
Change in due to/from Parent	<u>(21,821)</u>
Net Cash Provided By Operating Activities	<u>26,756</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Dividend paid to Parent	<u>(44,377)</u>
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NET DECREASE IN CASH (17,621)

CASH IN BANK, BEGINNING OF YEAR 33,621

CASH IN BANK, END OF YEAR \$ 16,000

The accompanying notes are an integral part of these financial statements.

**KURT SALMON ASSOCIATES CAPITAL ADVISORS, INC.**  
**(A wholly-owned Subsidiary of Kurt Salmon Associates, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

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**1. DESCRIPTION OF BUSINESS**

Kurt Salmon Associates Capital Advisors, Inc. (the "Company") was formed in 1997 as a wholly-owned subsidiary of Kurt Salmon Associates, Inc. (the "Parent"), an international management consulting firm specializing in the retailing, consumer products and healthcare industries. The Company was formed for the purpose of providing merger and acquisition, financial and capital advisory services to the clients and industries served by the Parent. The Company's registration as a broker-dealer became effective in 1997.

**2. RELATED PARTY TRANSACTIONS**

The Company has an arrangement with the Parent whereby the Parent will fund all administrative costs of the Company. The Company is not required to reimburse such expenditures. Amounts paid by the Parent in accordance with this arrangement were approximately \$35,000 in 2003.

All fees earned by the Company arise from contracts obtained through the Parent or its subsidiaries. Contract services are provided by the Parent or its subsidiaries at rates established through intercompany arrangements controlled by Parent. Advisory fees are recognized as revenue when contract services are completed and fees are earned.

The Company is included in the consolidated income tax return of the Parent. Under the arrangement with Parent, the Company recognizes an income tax expense or benefit based on the consolidated effective tax rate. At December 31, 2003, taxable temporary differences of approximately \$16,000 existed, all related to unrealized investment losses recognized for financial reporting but not for income tax reporting purposes.

**3. INVESTMENTS**

In 2000, the Company acquired common stock and warrants of NASDAQ Stock Market, Inc. Prior to 2003, the securities were not readily marketable and were carried at cost. In 2003, a market for the securities developed and they were carried at market value. Warrants carried at \$4,200 expired in 2003.

**4. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. The minimum net capital requirement for the Company is \$5,000. As of December 31, 2003, the Company had net capital of \$25,024, which was \$20,024 in excess of its required net capital of \$5,000.