

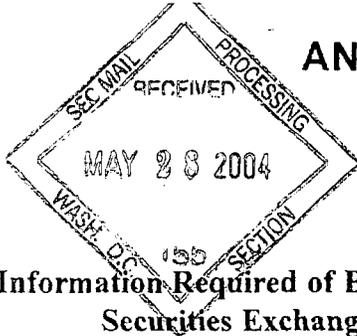
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

VF 6-3-04



**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL
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**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 ENDING 04/01/03 AND ENDING 03/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
K. W. BROWN & COMPANY D/B/A K. W. BROWN INVESTMENTS OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) FIRM ID. NO.  
401 W Linton Blvd., Suite #300  
(No. and Street)  
Delray Beach Florida 33444  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
WENDY BROWN (561) 393-6900  
(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
BRUCE D. SOULE, CPA, PA  
(Name -- if individual, state last, first and middle name)  
2013 HERB COURT, TALLAHASSEE, FL 32312  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

FOR OFFICIAL USE ONLY
<p><b>PROCESSED</b> JUN 10 2004 THOMSON FINANCIAL</p>

\* 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).

OATH OR AFFIRMATION

I, KENNETH W. BROWN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of K.W. BROWN & COMPANY D/B/A K.W. BROWN INVESTMENTS, as of MARCH 31, 2004, 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:

NONE

Kenn Brown  
Signature

CEO  
Title

Francine Oelbaum 5/27/04  
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 Proprietor's 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).

**K. W. BROWN & COMPANY D/B/A K. W. BROWN INVESTMENTS**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

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**BRUCE D. SOULE, CPA, PA**

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**INDEPENDENT AUDITOR'S REPORT**

Stockholders  
K. W. Brown & Company  
D/B/A K. W. Brown Investments  
Delray Beach, Florida

I have audited the accompanying balance sheet of **K.W. Brown & Company D/B/A K. W. Brown Investments** as of March 31, 2004 and 2003, and the related statements of income and retained earnings, changes in stockholders' equity, cash flow, and changes in liabilities subordinated to claims of general creditors for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of K.W. Brown & Company D/B/A K. W. Brown Investments as of March 31, 2004 and 2003, and the results of its operations and its cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States applied on a consistent basis.

**BRUCE D. SOULE, CPA, PA**



**Certified Public Accountant**

May 11, 2004

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**BALANCE SHEET**

**MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$1 114 419	\$357 117
Commissions receivable	144 797	62 480
Inventory of securities owned	341 391	261 645
Trade date adjustment	12 346	2 150
Advances	<u>33 241</u>	<u>-0-</u>
<b>Total current assets</b>	<u>1 646 194</u>	<u>683 392</u>
<b>REAL ESTATE, FURNITURE &amp; EQUIPMENT</b>		
Less accumulated depreciation	280 066	274 019
	<u>225 563</u>	<u>214 568</u>
<b>Net furniture and equipment</b>	<u>54 503</u>	<u>59 451</u>
<b>Total assets</b>	<u>\$1 700 697</u>	<u>\$742 843</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 63 421	\$160 622
Cash overdraft	118 281	-0-
Accrued expenses	174 728	29 424
Margin account	173 502	5 003
Contingent arbitration award liability	507 671	260 000
Income taxes payable	<u>141 315</u>	<u>723</u>
<b>Total current liabilities</b>	<u>1 178 918</u>	<u>455 772</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock - \$5.00 par value; 100 shares		
Authorized, issued and outstanding	500	500
Additional paid-in capital	199 485	199 485
Retained earnings	<u>321 794</u>	<u>87 086</u>
<b>Total stockholders' equity</b>	<u>521 779</u>	<u>287 071</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$1 700 697</u>	<u>\$742 843</u>

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

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Commissions	\$2 683 281	\$1 927 263
Gains on investment transactions	1 931 209	435 197
Other income	<u>24 530</u>	<u>8 192</u>
<b>Total gross revenues</b>	<u>4 639 020</u>	<u>2 370 652</u>
<b>EXPENSES</b>		
Clearing charges	556 222	404 001
Salaries	2 509 255	1 047 877
Arbitration expense	351 460	281 118
Professional fees	185 524	343 483
Other expenses	<u>660 536</u>	<u>289 353</u>
<b>Total expenses</b>	<u>4 262 997</u>	<u>2 365 832</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	376 023	4 820
<b>PROVISION FOR INCOME TAXES</b>	<u>141 315</u>	<u>723</u>
<b>NET INCOME (LOSS)</b>	234 708	4 097
<b>RETAINED EARNINGS - Beginning of year</b>	<u>87 086</u>	<u>82 989</u>
<b>RETAINED EARNINGS - End of year</b>	<u>\$ 321 794</u>	<u>\$ 87 086</u>

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

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>Common stock</u>	<u>Preferred stock</u>	<u>Additional</u>	<u>Retained</u>	<u>Total</u>	
	<u>Shares</u>	<u>Shares</u>	<u>paid-in</u>	<u>earnings</u>		
	<u>Amount</u>	<u>Amount</u>	<u>capital</u>	<u>\$</u>		
Balance - March 31, 2003	100	\$ 500	\$ -0-	\$ 199 485	\$ 82 989	\$ 282 974
Net income for the year ended March 31, 2003			-0-		4 097	4 097
Balance - March 31, 2003	100	500	-0-	199 485	87 086	287 071
Preferred stock, class B issued on May 28, 2003			3 000	300 000		300 000
Redemption preferred stock October 10, 2003			(3 000)	(300 000)		(300 000)
Net income for the year ended March 31, 2004			-0-		234 708	234 708
Balance - March 31, 2004	100	\$ 500	\$ -0-	\$ 199 485	\$ 321 794	\$ 521 779

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

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**STATEMENT OF CASH FLOW**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Gross revenues received	\$4 814 231	\$2 370 652
Salaries paid	2 509 255	1 047 878
Clearing charges	556 222	404 001
Other expenses	806 699	626 202
Interest	2 727	433
Taxes	<u>100 025</u>	<u>59 425</u>
Cash used in operating activities	<u>3 974 928</u>	<u>2 137 939</u>
Net cash flow (used in) operating activities	<u>839 303</u>	<u>232 713</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	<u>(6 048)</u>	<u>-0-</u>
Cash disbursed in investing activities	<u>(6 048)</u>	<u>-0-</u>
Net cash flow from (used in) investing activities	<u>(6 048)</u>	<u>-0-</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Interest and dividends	3 793	3 497
Decrease (Increase) in inventory	<u>(79 746)</u>	<u>(93 873)</u>
Cash provided by (used in) financing activities	<u>(75 953)</u>	<u>(90 376)</u>
Net cash flow from (used in) financing activities	<u>(75 953)</u>	<u>(90 376)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>757 302</b>	<b>142 337</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u>357 117</u>	<u>214 780</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1 114 419</u>	<u>\$ 357 117</u>

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

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**STATEMENT OF CASH FLOW (CONTINUED)**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net Income (loss)	\$234 708	\$4 097
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	10 995	37 730
Interest & dividends	(3 793)	(3 497)
(Increase) decrease in:		
Commissions receivable	(82 317)	79 924
Trade date adjustment	(10 196)	(2 150)
Advances	(33 241)	-0-
Increase (decrease) in:		
Accounts payable	(97 201)	133 981
Accrued expenses	145 305	(137 008)
Cash overdraft	118 281	-0-
Margin account	168 499	(81 087)
Contingent arbitration award liability	247 671	200 000
Income taxes payable	<u>140 592</u>	<u>723</u>
<b>Net cash flow provided by (used in) operating activities</b>	<b><u>\$ 839 303</u></b>	<b><u>\$ 232 713</u></b>

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

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**STATEMENT OF CHANGES IN LIABILITIES**

**SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

<b>SUBORDINATED LIABILITIES AT MARCH 31, 2002</b>	<u>-0-</u>
Changes during the year ended March 31, 2003	<u>-0-</u>
<b>SUBORDINATED LIABILITIES AT MARCH 31, 2003</b>	<u>-0-</u>
Changes during the year ended March 31, 2004	<u>-0-</u>
<b>SUBORDINATED LIABILITIES AT MARCH 31, 2004</b>	<u><u>\$ -0-</u></u>

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

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

**NOTE 1 - BUSINESS AND ORGANIZATION**

The Company was incorporated in Florida on April 17, 1985 as FWG Financial Corp. On July 25, 1985 the name of the Company was changed to Three Thousand Financial Group, Inc. On September 10, 1986 the name of the Company was changed to K. W. Brown & Company. The Company is registered as a broker-dealer under the Securities and Exchange Act of 1934, as amended, and is a member of the National Association of Securities Dealers, Inc.

The Company acts as an introducing broker through a clearing arrangement with a clearing broker-dealer on a fully disclosed basis. Ameritrade, Inc. provides clearing services, handles funds of the Company's customers, holds securities, and remits activity statements to the customers.

The Company has authorized and issued 100 shares of common stock, \$5 par value, and is authorized to issue 6,000 shares, \$8.50 Class A Preferred stock, \$1 par value; and 5,000 shares of 10% Class B Preferred stock, \$1000 par value. The Company issued 3,000 shares of preferred stock on May 28, 2003. On October 10, 2003 these 3,000 shares were redeemed. No preferred shares are outstanding at March 31, 2004 and 2003. There are 100 shares of common stock outstanding at March 31, 2004 and 2003.

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**RECOGNITION OF COMMISSION INCOME** - Securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a settlement date basis. The books are adjusted to trade date basis at year end.

**CASH AND CASH EQUIVALENTS** - The cash on the balance sheet consists of various accounts at Ameritrade, the clearing broker for the firm. The balance also exceeds the insured amount of SIPC, but the amount of cash varies greatly with the trading activity and positions of the firm. It is felt that Ameritrade is a quality financial institution and the amount of credit exposure is believed to be limited.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**DEPRECIATION** - Furniture and equipment are being depreciated on an accelerated basis over a period generally not to exceed seven years, which approximates the straight-line method. Leasehold improvements were being depreciated over the life of the lease which was 30 months.

Property and equipment at March 31, 2004	
Condo	\$ 31 400
Furniture and equipment	40 332
Computer equipment	65 657
Leasehold improvements	133 677
Sign	<u>9 000</u>
Total at cost	280 066
Less accumulated depreciation	<u>225 563</u>
Net property and equipment	<u>54 503</u>

**NOTE 3 - INVENTORY OF SECURITIES OWNED**

The inventory of securities owned as of March 31, 2004 and 2003 is valued at fair market value.

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

**NOTE 4 - NET CAPITAL REQUIREMENT**

The Company is subject to the Securities & Exchange Commission's Uniform Net Capital Rule (Rule 15c 3-1) which requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed fifteen to one. Net capital and the related net capital ratio fluctuates on a daily basis. As of March 31, 2004 and 2003, the net capital ratio was 3.15:1 and 2.99:1, respectively, and net capital was \$373,221 and \$152,520, respectively, which exceeded the minimum net capital requirement by \$273,221 and \$52,520, respectively.

**NOTE 5 - LITIGATION**

The Company is presently involved in potentially assertive claims and arbitrations arising out of the normal course of its business over securities transactions, which in the opinion of the Company, based upon knowledge of facts, will not result in a material adverse effect on the Company's financial position, except as has been provided for in these financial statements by a contingent arbitration awards liability of \$507,671 as of March 31, 2004 and \$260,000 as of March 31, 2003.

Two more claims were received by the Company in April 2004 asserting claims and damages over securities transactions of approximately \$1,700,000. The Company disagrees with these claims and intends to vigorously defend themselves against these charges.

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

**NOTE 6 - COMMITMENTS AND RELATED PARTY TRANSACTIONS**

The amount of rent paid for the years ended March 31, 2004 and 2003 was \$50,000 and \$13,250 respectively.

The Company has entered into a 5,000 square foot office space lease at approximately \$4,167 per month expiring December 31, 2010. The lessor and lessee are related parties. The owner of the office building is one of the executive officers of the Company.

The two executive officers of the Company are also the two directors the Company and they are the grantors and trustees of a trust which owns 100% of the outstanding shares of the Company. The beneficiaries of that trust are the children of the two executive officers.

Lease obligations for the next five years:

March 31, 2005	\$50,000
March 31, 2006	\$50,000
March 31, 2007	\$50,000
March 31, 2008	\$50,000
March 31, 2009	<u>\$50,000</u>
	<u>\$250,000</u>

**NOTE 7 - INCOME TAXES**

Deferred tax assets and liabilities are to be recognized for the future tax consequence attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and net operating loss carrybacks.

The income taxes payable are \$141,315 and \$723 as of March 31, 2004 and 2003, respectively.

**BRUCE D. SOULE, CPA, PA**

2013 Herb Court  
Tallahassee, FL 32312

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**AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION  
PURSUANT TO SEC RULE 17 a-5**

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Stockholders  
K.W. Brown & Company  
D/B/A K. W. Brown Investments  
Delray Beach, Florida

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules presented in pages twelve through fourteen is presented for purposes of additional analysis and is not a required part of the basic financial statements but is required by Rule 17a-5 of the Securities & Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Further, it is my opinion that the schedules present fairly the information therein in conformity with the rules of the Securities & Exchange Commission.

**BRUCE D. SOULE, CPA, PA**

*Bruce Soule, CPA, PA*

**Certified Public Accountant**

**May 11, 2004**

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5**

**MARCH 31, 2004 AND 2003**

**COMPUTATION OF NET CAPITAL**

	<u>2004</u>	<u>2003</u>
<b>Total stockholders' equity</b>	<b>\$ 521 779</b>	<b>\$ 287 071</b>
<b>Deductions and/or charges:</b>		
Nonallowable assets:		
15% haircut on inventory	51 209	39 247
2% haircut on money market	4 105	199
Furniture, equipment and leasehold improvements - net book value	54 503	59 451
Commissions receivable over 30 days	5 499	17 806
Advances	<u>33 242</u>	<u>17 848</u>
<b>Total deductions</b>	<b><u>148 558</u></b>	<b><u>134 551</u></b>
<b>NET CAPITAL</b>	<b><u>\$ 373 221</u></b>	<b><u>\$ 152 520</u></b>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT AND EXCESS NET CAPITAL**

<b>BASIC NET CAPITAL REQUIREMENT (greater of a or b)</b>	<b><u>\$ 100 000</u></b>	<b><u>\$ 100 000</u></b>
a. Minimum capital required (6-2/3% of aggregate indebtedness)	<u>\$ 78 599</u>	<u>\$ 30 384</u>
b. Minimum dollar of net capital required	<u>\$ 100 000</u>	<u>\$ 100 000</u>
<b>EXCESS NET CAPITAL</b>	<b><u>\$ 273 221</u></b>	<b><u>\$ 52 520</u></b>

**COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL**

<b>Total aggregate indebtedness</b>	<b><u>\$ 1 178 919</u></b>	<b><u>\$ 455 772</u></b>
<b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	<b><u>3.15:1</u></b>	<b><u>2.99:1</u></b>

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5 (CONTINUED)**

**MARCH 31, 2004 AND 2003**

**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL**

	<u>2004</u>	<u>2003</u>
Net capital per FOCUS II A	\$585 289	\$280 431
Decrease (Increase) in aggregate indebtedness including commissions and payroll taxes payable discovered during the annual audit	(67 610)	(1 415)
Increase (decrease) in cash due to an adjustment for the trade date	-0-	34 430
(Increase) in aggregate indebtedness due to an increase in accounts payable to record a chargeback discovered during the annual audit	-0-	(59 570)
Decrease in aggregate indebtedness due to a decrease in federal and state income taxes payable resulting from adjustments made during the annual audit	149 082	69 588
(Increase) in aggregate indebtedness due to an increase in contingent arbitration awards expense payable discovered during the annual audit	(40 000)	(152 532)
Increase (decrease) in inventory due to an adjustment for the trade date	-0-	(24 190)
Decrease in accounts receivable discovered during the audit	(265 886)	-0-

K. W. BROWN & COMPANY  
D/B/A K. W. BROWN INVESTMENTS

SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5 (CONTINUED)

MARCH 31, 2004 AND 2003

RECONCILIATION OF THE COMPUTATION OF NET CAPITAL

	<u>2004</u>	<u>2003</u>
Increase due to trade date adjustment	12 346	2 150
(Decrease) in haircuts due to inventory adjustment	<u>-0-</u>	<u>3 628</u>
Net capital per audit report	<u>\$373,221</u>	<u>\$152,520</u>

**K. W. BROWN & COMPANY**  
**D/B/A K. W. BROWN INVESTMENTS**

**REQUIRED SUPPORTING STATEMENTS**

**MARCH 31, 2004 AND 2003**

**STATEMENT RE: DETERMINATION OF RESERVE REQUIREMENTS**  
**UNDER RULE 15 (c) 3-3**

As of March 31, 2004 and 2003, the Company was exempt from reporting information re: determination of reserve requirement under Rule 15 (c) 3-3 because no customer funds or securities were held.

**STATEMENT RE: POSSESSION OR CONTROL OF SECURITIES REQUIREMENTS**  
**UNDER RULE 15 (c) 3-3 (k) (2) (ii)**

As of March 31, 2004 and 2003, the Company was exempt from reporting information re: possession or control of securities pursuant to Rule 15 (c) 3-3, under paragraph (k) (2) (ii), because no securities of customers were held.

**STATEMENT RE: CUSTOMERS' FUNDS**

As of March 31, 2004 and 2003, the Company was exempt from reporting information re: funds contained in customers' regulated commodity futures accounts and total funds segregated by dealer to meet requirements because no funds of customers were held.

**STATEMENT RE: NO MATERIAL INADEQUACIES**

As of March 31, 2004 and 2003, no material inadequacies were found to exist.

**BRUCE D. SOULE, CPA, PA**

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Tallahassee, FL 32312

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(850) 894-3155 Fax

**INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON  
INTERNAL ACCOUNTING CONTROL**

Stockholders  
K.W. Brown & Company  
D/B/A K. W. Brown Investments  
Delray Beach, Florida

I have examined the financial statements of **K.W. Brown & Company D/B/A K. W. Brown Investments** as of and for the year ended March 31, 2004 and have issued my report thereon, dated May 11, 2004. As part of my examination, I made a study and evaluation of the Company's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and Rule 17a-5 of the Securities Exchange Act of 1934. This study and evaluation included, in the accounting system, the procedures for safeguarding securities and the practices and procedures followed by the Company in making the periodic computations of net capital under Rule 17a-3(a)(11). Rule 17a-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the date of my examination would be disclosed. The purposes of my study and evaluation were to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Company's financial statements and to provide a basis of reporting material weaknesses in internal accounting control under Rule 17a-5. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

I have found that, with respect to Rule 15c3-3, the Company does not obtain and maintain physical possession or control of any fully paid or excess margin securities of customers.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control

**INDEPENDENT ACCOUNTANT'S SUPPLEMENTARY REPORT ON  
INTERNAL ACCOUNTING CONTROL**

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procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets 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 accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation, described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Company taken as a whole. However, my study and evaluation disclosed no condition that I believe to be a material weakness.

This report is intended solely for the use of management, the Securities & Exchange Commission, and other regulatory agencies pursuant to their requirements and should not be used for any other purpose.

**BRUCE D. SOULE, CPA, PA**



**Certified Public Accountant**

**May 11, 2004**