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STATES  
CHANGE COMMISSION  
Washington, D.C. 20549

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

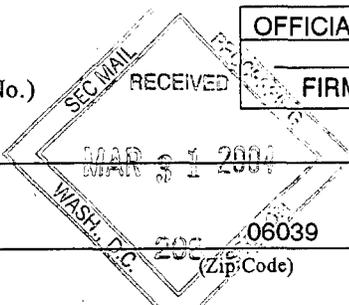
SEC FILE NUMBER  
8- 051748

**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: Kuhns Brothers Securities Corporation  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
558 Lime Rock Road  
(No. and Street)  
Lime Rock CT  
(City) (State)  
06039  
(Zip Code)  
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
John Starr 860-435-7000  
(Area Code - Telephone Number)



OFFICIAL USE ONLY  
FIRM I.D. NO.

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
STEPHEN J. SUSSMAN, PLLC CERTIFIED PUBLIC ACCOUNTANT.  
(Name - if individual, state last, first, middle name)  
12 PARMENTER ROAD LONDONDERRY, 03053  
(Address) (City) (State) (Zip Code)

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

**PROCESSED**  
APR 09 2004

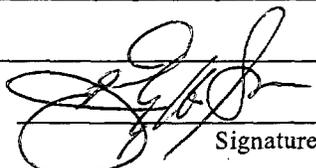
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THOMSON  
FINANCIAL

\*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)

OATH OR AFFIRMATION

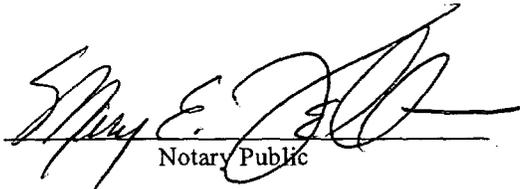
I, John Starr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kuhns Brothers Securities Corporation, as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company 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

\_\_\_\_\_  
President

\_\_\_\_\_  
Title

  
Notary Public

**Mary E. Fellows**  
**Notary Public**  
**State of Connecticut**  
**My commission expires**  
**April 30, 2005**

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).

**KUHNS BROTHERS SECURITIES  
CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

# STEPHEN J. SUSSMAN

*Certified Public Accountant*

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

## Independent Auditor's Report

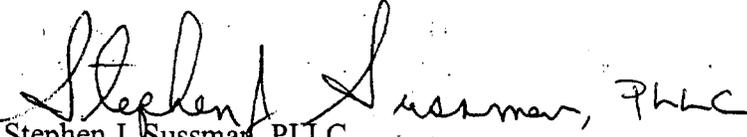
To the Board of Directors of  
Kuhns Brothers Securities Corporation  
Lakeville, CT

We have audited the accompanying statement of financial condition of Kuhns Brothers Securities Corporation (the Company) as of December 31, 2003, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 of 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 position of Kuhns Brothers Securities Corporation as of December 31, 2003, and the results of their operations and their 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 in Schedules I and II 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 under 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.

  
Stephen J. Sussman, PLLC  
Certified Public Accountant  
Londonderry, New Hampshire  
March 26, 2004

**KUHNS BROTHERS SECURITIES CORPORATION**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2003**

**ASSETS**

Cash and cash equivalents	\$ 26,297
Receivable from broker-dealer	78,842
Deposit with clearing organization	25,000
Rental deposit	2,400
Other asset	517
Customer list, at cost less accumulated amortization of \$6,250	83,750
Deferred tax asset	43,700
Equipment, at cost less accumulated depreciation of \$2,028	<u>3,366</u>
Total assets	<u>\$ 263,872</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities:

Accounts payable	\$ 12,874
Accrued payroll taxes	21,484
Accrued clearing expenses	5,211
Accrued commissions	<u>57,811</u>
Total liabilities	<u>\$ 97,380</u>

Stockholders' equity

Common stock, \$.01 par value; authorized 100 shares, 100 issued and outstanding	\$ 1
Additional paid-in capital	318,773
Retained earnings (deficit)	<u>(152,282)</u>

Total stockholders' equity \$ 166,492

Total liabilities and stockholders' equity \$ 263,872

**KUHNS BROTHERS SECURITIES CORPORATION**

**STATEMENT OF INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

Revenues:

Commission income	\$ 827,031
Fee income	88,377
Interest income	<u>29</u>

Total revenue 915,437

Expenses:

Communications	33,057
Occupancy	37,691
Consulting Expense	341,242
Regulatory and professional fees	39,095
Clearing Expense	42,662
Other expenses	543,628
Depreciation & amortization	<u>6,022</u>

Total expenses 1,043,397

Income (loss) before income taxes (127,960)

Income tax benefit (31,400)

Net income (loss) \$ (96,560)

**KUHNS BROTHERS SECURITIES CORPORATION**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balance at January 1, 2003	\$ 1	\$ 181,499	\$ (55,722)	\$ 125,778
Capital contributions		137,274		137,274
Net income (loss)	<u>-</u>	<u>-</u>	<u>(96,560)</u>	<u>(96,560)</u>
Balance at December 31, 2003	<u>\$ 1</u>	<u>\$ 318,773</u>	<u>\$ (152,282)</u>	<u>\$ 166,492</u>

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

# KUHNS BROTHERS SECURITIES CORPORATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

Cash flows from operating activities:	
Net income (loss)	\$ (96,560)
Adjustments to reconcile net income to net cash used in operating activities:	
Deferred taxes benefit	(31,400)
Depreciation	1,022
Amortization	5,000
Increase in due from broker-dealer	(58,864)
Decrease in due from officer	14,937
Decrease in deposit with clearing organization	16
Increase in rental deposit	(2,400)
Increase in other asset	(517)
Increase in accounts payable	7,540
Increase in accrued payroll taxes	21,484
Increase in accrued clearing expense	5,211
Increase in accrued commissions	<u>27,505</u>
Net cash used by operating activities	<u>\$ (107,026)</u>
Cash flows from investing activities:	
Purchase of equipment	\$ (2,040)
Acquisition of customer list	<u>(15,000)</u> \$ (17,040)
Cash flows from financing activities:	
Capital contributions	<u>137,274</u>
Net increase in cash	\$ 13,208
Cash at beginning of the year	<u>13,089</u>
Cash at end of the year	<u>\$ 26,297</u>

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:	
Interest payments	<u>\$ 313</u>
Income tax payments	<u>\$ -</u>

#### Disclosure of accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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

**KUHNS BROTHERS SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**NOTE 1- SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

The Company was incorporated under the laws of the State of Connecticut on March 15, 1999. It serves as a Broker Dealer in securities and provider of financial services.

**Revenue And Expenses**

Commission revenue and related expenses are recognized on the accrual basis using the trade date method.

**Use of Estimates**

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

**Property and Equipment**

Property and equipment are recorded at cost. The cost of maintenance and repairs are charged to expense as incurred. Major improvements to property and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for 2003 was \$1,022.

**NOTE 2- NET CAPITAL**

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's (SEC) regulations and operating guidelines, that require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as defined, not exceeding 15 to 1. The Company's net capital, as computed under 15c3-1, was \$32,758 at December 31, 2003, which exceeded required net capital of \$6,492 by \$26,266. The ratio of aggregate indebtedness to net capital at December 31, 2003 was 297.3%.

**NOTE 3- INCOME TAXES**

The deferred portion of the income tax expense included in the statement of operations as determined in accordance with FASB Statement 109, Accounting for Income Taxes, are as follows:

Federal	\$ 19,390
State	<u>12,010</u>
Total deferred tax benefit	<u>\$ 31,400</u>

**KUHNS BROTHERS SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2003**

As of December 31, 2003 the Company had a total federal net operating loss of \$199,571. A net operating loss carry forward of \$23,188 was from 2000, \$40,778 from 2001 and the current year loss of \$135,605. These net operating losses can be carried forward for 20 years to offset any future earnings.

There exist differences in timing of revenue and expense items between Generally Accepted Accounting Principles, the Internal Revenue Code, and the CT Tax code. Deferred income taxes summarizes these differences at the balance sheet date.

**NOTE 4- CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities with counterparties. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

**NOTE 5- RELATED PARTY TRANSACTIONS**

The shareholder paid certain expenses on behalf of the company, which totaled \$137,274 in 2003. The shareholder considers these payments to be capital contributions and therefore no amounts are due to the shareholder as of December 31, 2003.

**KUHNS BROTHERS SECURITIES CORPORATION**

**SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

KUHNS BROTHERS SECURITIES CORPORATION

SCHEDULE I

COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL  
PURSUANT TO RULE 15c3-1

DECEMBER 31, 2003

Total ownership equity from statement of financial condition	\$ 166,492
Total nonallowable assets from statement of financial condition	<u>(133,733)</u>
Net capital before haircuts on securities positions	\$ 32,758
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 32,758</u>
Aggregate indebtedness:	
Total A.I. liabilities from statement of financial condition	<u>\$ 97,380</u>
Total aggregate indebtedness	<u>\$ 97,380</u>
Percentage of aggregate indebtedness to net capital	<u>297.3%</u>
Computation of basic net capital requirement:	
Minimum net capital required (6-2/3% of A.I.)	<u>\$ 6,492</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 6,492</u>
Excess net capital	<u>\$ 26,266</u>
Excess net capital at 1000%	<u>\$ 23,020</u>

KUHNS BROTHERS SECURITIES CORPORATION

RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

(X-17A-5)

AT DECEMBER 31, 2003

SCHEDULE I (CONTINUED)

	FOCUS REPORT - PART IIA QUARTER ENDED <u>12/31/03</u>	<u>ADJUSTMENTS</u>	ANNUAL FINANCIAL STATEMENTS AT <u>12/31/03</u>
COMPUTATION OF NET CAPITAL			
Total ownership equity from statement of financial condition	\$ 122,223	\$ 44,269	\$ 166,492
Deductions and/or charges:			
Total nonallowable assets from statement of financial condition	\$ 87,333	\$ 46,400	\$ 133,733
Haircuts on securities	-	-	-
Total deductions	\$ 87,333	\$ 46,400	\$ 133,733
Net capital	<u>\$ 34,890</u>	<u>\$ (2,132)</u>	<u>\$ 32,758</u>

**SCHEDULE II**

**KUHNS BROTHERS SECURITIES CORPORATION**

**COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER  
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

**DECEMBER 31, 2003**

Kuhns Brothers Securities Corporation is exempt from the reserve requirements of Rule 15c3-3 as its transactions are limited, such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

# STEPHEN J. SUSSMAN

*Certified Public Accountant*

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

## **Independent Auditor's Report on Internal Control Structure Required by SEC Rule 17a-5**

Board of Directors  
Kuhns Brothers Securities Corporation

In planning and performing our audit of the financial statements and supplemental schedules of Kuhns Brothers Securities Corporation (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 control.

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 for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements of prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

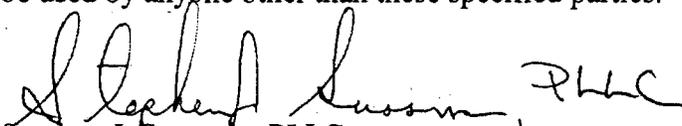
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls 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 control 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, error 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 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 design or operation of the specific internal control components does not reduce to a relatively low level the risk that error 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 internal control, 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 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 information and use of the Board of Directors, management, the Securities and Exchange Commission, The National Association of Securities Dealers, Inc. and other regulatory agencies that 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.

  
Stephen J. Sussman, PLLC  
Certified Public Accountant  
Londonderry, New Hampshire  
March 26, 2004

**STEPHEN J. SUSSMAN**

*Certified Public Accountant*