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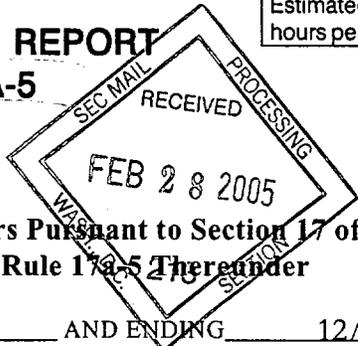
OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

**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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

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

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

OFFICIAL USE ONLY
FIRM I.D. NO.

1355 Peachtree Street NE, Suite 900

(No. and Street)

Atlanta

Georgia

30309

(City)

(State)

(Zip Code)

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

William H. Beckemeyer

(404) 892-0321

(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

Atlanta

Georgia

30309

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 17 2005

<b>FOR OFFICIAL USE ONLY</b>	<b>THOMSON FINANCIAL</b>
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\*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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

THA  
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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, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

W.H.B.  
Signature

\_\_\_\_\_  
Secretary / Treasurer  
Title

AMY R. MORLEY  
Notary Public, Fulton County, Georgia  
My Commission Expires November 18, 2008

Amy Morley  
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  
WITH SUPPLEMENTARY DATA  
December 31, 2004**

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

**FINANCIAL STATEMENTS**  
**December 31, 2004**

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Income and Retained Earnings

Statement of Cash Flows

Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY DATA

SUPPLEMENTARY DATA:

Computation of Net Capital

Reconciliation of Net Capital Under Rule 15c3-1

Computation of Aggregate Indebtedness as Defined Under Rule 15c3-1

Computation of Excess Net Capital

Rule 15c3-3 Matters

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL



W I N D H A M   B R A N N O N

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, 2004, 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, 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.

*Windham Brannon, P.C.*

Certified Public Accountants

February 21, 2005

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

(A wholly-owned Subsidiary of Kurt Salmon Associates, Inc.)

**BALANCE SHEET**

**December 31, 2004**

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ASSETS

Cash in bank	\$	16,000
Investments, at fair value		13,260
Due from parent		<u>24,055</u>
Total Assets	\$	<u>53,315</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	\$	<u>1,490</u>
Common stock, 1,000 shares authorized, no par value, 160 shares issued and outstanding		16,000
Retained earnings		<u>35,825</u>
Total Stockholder's Equity		<u>51,825</u>
Total Liabilities and Stockholder's Equity	\$	<u>53,315</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, 2004**

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REVENUES:

Advisory fees \$ 4,356,830

EXPENSES:

Services provided by Parent (3,485,464)

Other professional expenses (738,001)

INVESTMENT INCOME:

Realized and unrealized investment gains 975

Income before income taxes 134,340

INCOME TAXES (50,000)

NET INCOME 84,340

RETAINED EARNINGS:

Beginning of year 16,485

Dividends (65,000)

End of year \$ 35,825

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, 2004**

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CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 84,340
Adjustments to reconcile net income to net cash provided by operating activities:	
Non-cash investment gain	(975)
Change in due to/from Parent	(19,855)
Change in liabilities	<u>1,490</u>
Net Cash Provided By Operating Activities	<u>65,000</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Dividend paid to Parent	<u>(65,000)</u>
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NET DECREASE IN CASH

-

CASH IN BANK, BEGINNING OF YEAR

16,000

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, 2004**

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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**

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 has an expense sharing arrangement with the Parent whereby the Parent will fund all administrative costs of the Company and allocate a proportionate amount to the Company.

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, 2004, taxable temporary differences existed 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 common stock developed and it began to be carried at fair value.

**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. At December 31, 2004, the minimum net capital requirement for the Company was \$5,000, and the Company had net capital of \$24,209, which was \$19,209 in excess of its required net capital.



W I N D H A M   B R A N N O N

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY DATA

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

We have audited the financial statements of **Kurt Salmon Associates Capital Advisors, Inc.** for the year ended December 31, 2004, and have issued our report thereon dated February 21, 2005. Our audit was conducted for the purpose of forming an opinion on those financial statements taken as a whole. The computation of net capital, the reconciliation of net capital, the computation of aggregate indebtedness and the computation of excess net capital at December 31, 2004, and the computation for determination of reserve requirements and information relating to the possession or control requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are additional 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.

*Windham Brannon P.C.*  
Certified Public Accountants

February 21, 2005

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

**SUPPLEMENTARY DATA**  
**December 31, 2004**

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**COMPUTATION OF NET CAPITAL**

Stockholder's equity, December 31, 2004	\$	51,825
Less:		
Due from parent		(24,055)
Investment haircuts and concentration charges		<u>(3,561)</u>
Net capital	\$	<u>24,209</u>

**RECONCILIATION OF NET CAPITAL UNDER RULE 15c3-1**

Net capital, Form X-17A-5, Part IIA	\$	24,209
Reconciling items		<u>-</u>
Net capital per above computation	\$	<u>24,209</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**  
**AS DEFINED UNDER RULE 15c3-1**

Liabilities	\$	<u>1,490</u>
Total Aggregate Indebtedness	\$	<u>1,490</u>
Ratio of Aggregate Indebtedness to Net Capital		0.06 to 1.

**COMPUTATION OF EXCESS NET CAPITAL**

Net capital per above computation	\$	24,209
Required net capital		<u>5,000</u>
Net capital in excess of required amount	\$	<u>19,209</u>

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

**SUPPLEMENTARY DATA**  
**December 31, 2004**

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**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**PURSUANT TO RULE 15c3-3 AND INFORMATION**  
**RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS**  
**UNDER RULE 15c3-3**

The provisions of the aforementioned rule are not applicable to Kurt Salmon Associates Capital Advisors, Inc. because the Company carries no cash or margin accounts, does not hold funds or securities for, or owe money or securities to, customers. Any securities transactions would be handled through a clearing agent who deals directly with the Company's customers. Kurt Salmon Associates Capital Advisors, Inc. is therefore exempt under the provisions of Rule 15c3-3(k)(2)(ii).



W I N D H A M   B R A N N O N

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of **Kurt Salmon Associates Capital Advisors, Inc.** (the "Company"), for the year ended December 31, 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 (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 for 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 the preparation of financial statements in accordance with accounting principles generally accepted in the United States. 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 the 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 that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers 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 used by anyone other than these specified parties.

*Winham Brunson, P.C.*

Certified Public Accountants

February 21, 2005