

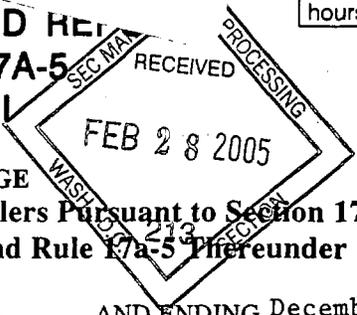
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC FILE NUMBER  
8-48389

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 January 31, 2004 AND ENDING December 31, 2004  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kempen & Co. U.S.A., Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

747 Third Avenue, 22nd Floor

New York (No. and Street) NY 10017  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Nils Geenen (212) 376-0132  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

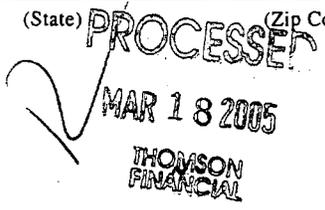
Friedman LLP

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

100 Eagle Rock Avenue East Hanover NJ 07936  
(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

\*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, David Simons, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kempen & Co. U.S.A, Inc., as of December 31, 20 04, 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]  
Signature  
Principal  
Title

[Signature]  
Notary Public  
ANTHONY I. INDELICATO  
Notary Public, State Of New York  
No. 01IN6063303  
Qualified In Kings County  
Commission Expires Aug. 27, 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.
- (o) Independent auditor's report on internal accounting control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

KEMPEN & CO. USA., INC.

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**FRIEDMAN LLP**  
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Stockholder  
Kempen & Co. U.S.A., Inc.

We have audited the accompanying statement of financial condition of Kempen & Co., U.S.A., Inc. as of December 31, 2004, and the related statements of income, changes in 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Kempen & Co. U.S.A., 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 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 Schedule 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.

*Friedman LLP*

Certified Public Accountants  
January 27, 2005

KEMPEN & CO. U.S.A., INC.

STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2004

ASSETS

Cash and cash equivalents	\$ 1,006,421
Due from Parent	1,827,025
Due from customer	2,315,314
Property and equipment, at cost, net	88,577
Other assets	<u>63,141</u>
	<u>\$ 5,300,478</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Fail to receive	\$ 2,315,314
Accounts payable, accrued expenses and other liabilities	305,878
Income taxes payable	<u>6,283</u>
Total Liabilities	<u>2,627,475</u>

Stockholder's Equity

Capital stock - \$.01 par value; authorized - 1,000 shares, issued and outstanding - 1,000 shares	10
Additional paid-in capital	763,979
Retained Earnings	<u>1,909,014</u>
Total stockholder's equity	<u>2,673,003</u>
	<u>\$ 5,300,478</u>

See notes to financial statements.

KEMPEN & CO. U.S.A., INC.

STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2004

REVENUES	
Commissions	\$ 1,704,488
Other	67,518
	<u>1,772,006</u>
EXPENSES	
Compensation and benefits	1,140,891
Occupancy and equipment, net of sublease income	183,822
Communications	115,181
Professional fees	50,732
Depreciation and amortization	43,697
Other operating expenses	166,741
	<u>1,701,064</u>
INCOME BEFORE INCOME TAX EXPENSE	70,942
Income taxes (benefit)	<u>(24,649)</u>
NET INCOME	<u>\$ 95,591</u>

See notes to financial statements.

KEMPEN & CO. U.S.A., INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
YEAR ENDED DECEMBER 31, 2004

	<u>Capital Stock at Par</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance at January 1, 2004	\$ 10	\$ 763,979	\$ 1,813,423	\$ 2,577,412
NET INCOME	--	--	95,591	95,591
Balance at December 31, 2004	<u>\$ 10</u>	<u>\$ 763,979</u>	<u>\$ 1,909,014</u>	<u>\$ 2,673,003</u>

See notes to financial statements.

KEMPEN & CO. U.S.A., INC.

STATEMENT OF CASH FLOWS  
DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 95,591
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation and amortization	43,697
(Increase) decrease in operating assets:	
Due from Parent	(347,488)
Due from customer	(2,248,641)
Other assets	(32,536)
Increase (decrease) in operating liabilities:	
Fail to receive	2,248,641
Accounts payable, accrued expenses and other liabilities	201,834
Income taxes payable	<u>6,283</u>
Net cash used in operating activities	<u>(32,619)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,619)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,039,040</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,006,421</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for	
Interest	\$ -
Income taxes	4,812

See notes to financial statements.

KEMPEN & CO. U.S.A., INC.

NOTES TO FINANCIAL STATEMENTS

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Kempen & Co. U.S.A., Inc. (the "Company"), is a wholly-owned subsidiary of Kempen & Co. NV (the "Parent"). The Company is a securities broker-dealer and a member of the National Association of Securities Dealers, Inc. The Company acts as an agent for institutional customers in the purchase and sale of foreign securities. The Company executes all trades with its Parent and uses its Parent's facilities to clear such trades. Trades are settled on a delivery versus payment basis.

ESTIMATES

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

COMMISSIONS

Commission revenues are recorded on a trade date basis.

DEPRECIATION

Property and equipment are depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the shorter of their estimated useful life or the length of the lease.

INCOME TAXES

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax laws or rates.

CASH AND EQUIVALENTS

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less and all money market accounts.

Note 2: PROPERTY AND EQUIPMENT, AT COST

Property and equipment consist of the following:

Office equipment	\$ 147,437
Furniture and fixtures	54,308
Leasehold improvements	<u>53,260</u>
	255,005
Less: Accumulated depreciation and amortization	<u>166,428</u>
	<u>\$ 88,577</u>

## Note 3: RELATED PARTY TRANSACTIONS

Due from Parent primarily represents commissions due from the Parent. Commission revenues are allocated to the Company based upon various revenue-sharing arrangements with the Parent for commissions earned on the facilitation of customer trades. For the year ended December 31, 2004, such revenues totaled approximately \$1.7 million.

## Note 4: INCOME TAXES

The Company provides for Federal and state income taxes in accordance with current rates applied to accounting income before income taxes. The provision for income taxes (benefit) is as follows:

Current – Federal	\$ --
Current – State and City	12,251
Deferred – Federal	<u>(36,900)</u>
	<u>\$ (24,649)</u>

At December 31, 2004, for federal income tax purposes, the Company had a net operating loss carryforward available to offset future U.S. taxable income of approximately \$148,000, which will expire in 2021.

## Note 5: DEFERRED COMPENSATION PLAN

The Company has a 401(k) plan, which covers substantially all of its full-time employees. The plan includes employee contributions and matching contributions by the Company subject to certain limitations. The aggregate contributions to the plan for the year ended December 31, 2004 were approximately \$31,400.

## Note 6: COMMITMENTS

The Company leases office space under a non-cancelable lease, which expires on June 30, 2010. Gross rent expense was \$239,987 for the year ended December 31, 2004. In addition to base rent on its office facilities, the Company is required to pay its proportionate share of real estate taxes and operating expenses. The company sublets office space on a month to month basis to a subtenant totaling \$60,750 per annum.

The future minimum rental payments are as follows:

2005	\$ 209,933
2006	217,519
2007	235,849
2008	235,849
2009	235,849
Thereafter	<u>117,925</u>
	<u>\$ 1,252,924</u>

**Note 7: REGULATORY REQUIREMENTS**

As a registered broker-dealer, the Company is subject to the net capital provisions of rule 15c3-1 of the Securities Exchange Act of 1934, which requires that the Company's aggregate indebtedness shall not exceed fifteen times net capital, as defined, under such provision. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the ratio exceeds 10 to 1. At December 31, 2004 the Company had net capital of \$694,260 which exceeded requirements by \$519,095. The ratio of aggregate indebtedness to net capital was 3.78 to 1.

**Note 8: FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK**

The Company is engaged in various brokerage activities whose counterparties are primarily institutions. In the normal course of business, the Company is involved in the execution and settlement of various securities transactions. These activities may expose the Company to off-balance sheet risk in the event that the counterparty is unable to fulfill its contracted obligations and the Company has to purchase or sell the security underlying the contract at a loss.

**Note 9: CONCENTRATIONS OF CREDIT RISK**

The Company maintains its cash balances at one financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

**SUPPLEMENTARY INFORMATION**

**Pursuant to Rule 17a-5 of the Securities Exchange Act of 1934**

**As of December 31, 2004**

SCHEDULE 1

KEMPEN & CO. U.S.A., INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2004

COMPUTATION OF NET CAPITAL

Total stockholder's equity	\$ 2,673,003
Deductions and/or charges	
Non-allowable assets	
Due from parent	1,827,025
Fixed assets	88,577
Other assets	<u>63,141</u>
	<u>1,978,743</u>
Net capital before haircuts on securities positions	<u>694,260</u>
Haircuts on securities positions	<u>    --</u>
NET CAPITAL	<u>\$ 694,260</u>

(Continued on Following Page).

SCHEDULE 1 (Continued)  
KEMPEN & CO. U.S.A, INC.

COMPUTATION OF NET CAPITAL UNDER  
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2004

COMPUTATION OF AGGREGATE INDEBTEDNESS

Accounts payable, accrued expenses and other  
liabilities includable in aggregate indebtedness \$ 2,627,475

AGGREGATE INDEBTEDNESS 2,627,475

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (greater of 6  $\frac{2}{3}$  % of aggregate  
indebtedness or minimum net capital requirement) 175,165

EXCESS NET CAPITAL 519,095

EXCESS NET CAPITAL AT 1,000 PERCENT 431,512

RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL 3.78 to 1

Reconciliation with Company's computation (included in  
Part II of Form X-17A-5 as of December 31, 2004)

Net capital, as reported in Company's Part II  
(Unaudited) Focus report \$ 675,049

Increases (decreases) resulting from December 31, 2004  
audit adjustments, net 19,211

Net capital, as included in this report \$ 694,260

SCHEDULE II

KEMPER & CO. U.S.A., INC.

STATEMENT REGARDING SEC RULE 15c3-3  
DECEMBER 31, 2004

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii) of that Rule.



**FRIEDMAN LLP**  
ACCOUNTANTS AND ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Stockholder  
Kempen & Co. U.S.A., Inc.

In planning and performing our audit of the financial statements of Kempen & Co. U.S.A., Inc. for the year ended December 31, 2004, 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 structure.

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 (or aggregate debits) 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 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 an internal control structure 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 conformity with generally accepted accounting principles. 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 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 the internal control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

Essentially, all of the Company's operational and recordkeeping procedures are performed by one individual. Consequently, the segregation of duties which is normally required for effective internal control is not practical. Due to its size, the Company has no plans to change operational and recordkeeping procedures. These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on those financial statements dated January 27, 2005.

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, 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.

*Friedman LLP*

Certified Public Accountants  
East Hanover, New Jersey  
January 27, 2005