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SECURITIES AND EXCHANGE COMMISSION

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

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8-43976

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 1, 2006 AND ENDING December 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: L.J. Hart & Company

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

16401 Swingley Ridge Road, Suite 325

(No. and Street)

St. Louis,

Missouri

63107

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Larry J Hart 636-537-9939

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**PROCESSED**

BKD, LLP

**MAR 07 2007**

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

501 North Broadway

St. Louis

Missouri

63102

THOMSON  
FINANCIAL

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
MAR 02 2007  
BRANCH OF REGISTRATIONS  
AND  
EXAMINATIONS

**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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Larry J Hart, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of L. J. Hart & Company, as of December 31, 2006, 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:

N/A

Larry J. Hart  
Signature

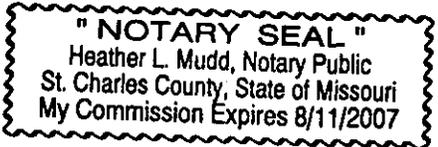
President / CEO  
Title

Heather L. Mudd  
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 15c3-1 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).



# L.J. Hart & Company

December 31, 2006

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**L.J. Hart & Company**

(SEC I.D. No. 8-43976)

**Financial Statements**

**December 31, 2006**



## Independent Accountants' Report

Board of Directors  
L.J. Hart & Company  
St. Louis, Missouri

We have audited the accompanying statement of financial condition of L.J. Hart & Company as of December 31, 2006 and the related statements of income, stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under 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 L.J. Hart & Company as of December 31, 2006 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.

BKD, LLP

St. Louis, Missouri  
February 20, 2007

**L.J. Hart & Company**  
**Statement of Financial Condition**  
**December 31, 2006**

**Assets**

Cash and cash equivalents	\$ 1,858,185
Receivable from clearing organization	284,494
Securities owned, at market value	4,243,365
Property and equipment, net	62,896
Deposit with clearing organization and other assets	<u>50,468</u>
Total assets	<u>\$ 6,499,408</u>

**Liabilities and Stockholder's Equity**

**Liabilities**

Accounts payable and accrued expenses	\$ <u>25,840</u>
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**Stockholder's Equity**

Common stock; \$6 par value; authorized 30,000 shares, issued and outstanding 10,000 shares	60,000
Retained earnings	<u>6,413,568</u>
Total stockholder's equity	<u>6,473,568</u>
Total liabilities and stockholder's equity	<u>\$ 6,499,408</u>

**L.J. Hart & Company**  
**Statement of Income**  
**Year Ended December 31, 2006**

**Revenues**

Underwriting and commissions	\$ 2,811,122
Interest and dividends	210,559
Recognized gain on securities	<u>357,818</u>

Total revenues 3,379,499

**Expenses**

Employee compensation and benefits	837,845
Underwriting	185,478
Communication and data processing	22,551
Occupancy	98,443
Depreciation	17,406
Professional services	51,471
Other operating expenses	<u>367,012</u>

Total expenses 1,580,206

**Net Income** \$ 1,799,293

**L.J. Hart & Company**  
**Statement of Stockholder's Equity**  
**Year Ended December 31, 2006**

	Common Stock		Retained Earnings	Total
	Shares	Amount		
<b>Balance, January 1, 2006</b>	10,000	\$ 60,000	\$ 6,768,775	\$ 6,828,775
Dividends, \$215.45 per share	—	—	(2,154,500)	(2,154,500)
Net income	—	—	<u>1,799,293</u>	<u>1,799,293</u>
<b>Balance, December 31, 2006</b>	<u>10,000</u>	<u>\$ 60,000</u>	<u>\$ 6,413,568</u>	<u>\$ 6,473,568</u>

**L.J. Hart & Company**  
**Statement of Cash Flows**  
**Year Ended December 31, 2006**

<b>Operating Activities</b>	
Net income	\$ 1,799,293
Items not requiring cash	
Depreciation	17,406
Loss on disposal of property and equipment	495
Changes in	
Receivable from clearing organization	(131,724)
Securities owned	1,312,428
Accounts payable and accrued expenses	(7,346)
Other assets	<u>(13,876)</u>
Net cash provided by operating activities	<u>2,976,676</u>
<b>Investing Activity</b>	
Purchases of property and equipment	<u>(24,218)</u>
Net cash used in investing activity	<u>(24,218)</u>
<b>Financing Activity</b>	
Dividends paid	<u>(2,154,500)</u>
Net cash used in financing activity	<u>(2,154,500)</u>
<b>Increase in Cash and Cash Equivalents</b>	797,958
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,060,227</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,858,185</u>
<b>Supplemental Cash Flows Information</b>	
Interest paid	\$ 757

**L.J. Hart & Company**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

L.J. Hart & Company (the "Company") is incorporated in the State of Missouri. The Company is primarily engaged in the business of underwriting municipal securities for school districts in the State of Missouri and also operates as a broker-dealer of municipal securities. The Company is subject to competition from other broker-dealers. The Company is a member of the National Association of Securities Dealers, Inc. and operates under the exemptive provisions of Rule 15c3-3(k)(2)(ii) under the Securities and Exchange Act of 1934.

***Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

***Cash Equivalents***

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

***Security Transactions***

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are recorded on settlement date basis, generally the third business day following the transaction (trade) date, with related commission income and expenses reported on a trade-date basis.

The Company promptly forwards all funds and securities received and does not otherwise hold funds or securities for, or owe money or securities to, clients.

Securities owned include marketable securities held for proprietary trading and are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

***Underwriting Revenue***

Underwriting revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Underwriting revenues also include fees earned from providing financial advisory services. Underwriting revenues are recorded at the time the underwriting is completed and the income is reasonably determinable, usually settlement date.

**L.J. Hart & Company**  
**Notes to Financial Statements**  
**December 31, 2006**

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the improvements.

***Income Taxes***

The Company's stockholder has elected to have the Company's income taxed as an "S" Corporation under provisions of the Internal Revenue Code and a similar section of the Missouri income tax law. Therefore, taxable income or loss is reported to the individual stockholder for inclusion in his respective tax returns and no provision for federal and state income taxes is included in these statements.

**Note 2: Deposit with Clearing Organization**

The Company has an agreement with a national broker-dealer to clear certain of its proprietary and customer transactions on a fully disclosed basis. This agreement requires a \$15,000 deposit which is maintained in cash with the broker-dealer.

**Note 3: Receivable from Clearing Organization**

Receivable from clearing organization includes amounts owed arising from settlement of securities transactions and amounts receivable from the clearing organization related to unsettled securities transactions.

**Note 4: Property and Equipment**

Property and equipment consists of the following:

Furniture and fixtures	\$ 69,091
Office equipment	53,368
Leasehold improvements	<u>38,638</u>
	161,097
Less accumulated depreciation	<u>(98,201)</u>
	<u>\$ 62,896</u>

**L.J. Hart & Company**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 5: Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, may not exceed 15 to 1. In addition, equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2006, the Company had net capital of \$5,937,064 which exceeded the minimum required amount by \$5,837,064. The Company's ratio of aggregate indebtedness to net capital was 0.004 to 1.

**Note 6: Retirement Savings Plan**

The Company offers employees a retirement savings plan under Section 408(p) of the Internal Revenue Code. The plan allows all full-time employees to contribute a percentage of their annual wages up to a maximum amount established by the Internal Revenue Code with a 100% Company match up to 3% of gross wages. Company contributions charged to expense were \$18,416 for 2006.

**Note 7: Credit Risk**

In the normal course of business, the Company's actions involve the execution and settlement of securities transactions. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of settlement. The Company has control procedures regarding securities transactions with counterparties and the manner in which they are settled.

As a securities dealer, the Company is engaged in various securities trading activities. Exposure of the Company to credit risk associated with the non-performance of counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair a counterparty's ability to satisfy its obligations to the Company.

**Note 8: Operating Leases**

The stockholder leases the Company's office facilities under a lease agreement that expires in December 2008. The stockholder has an informal agreement whereby the Company leases its office facilities on a month-to-month basis. Rent expense for 2006 was \$98,000.



## Independent Accountants' Report on Supplementary Information

Board of Directors  
L.J. Hart & Company  
St. Louis, Missouri

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information 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 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.

BKD, LLP

St. Louis, Missouri  
February 20, 2007

**L.J. Hart & Company**  
**Computation of Net Capital Under Rule 15c3-1 of the Securities and**  
**Exchange Commission**  
**December 31, 2006**

<b>Total Stockholder's Equity</b>	\$	6,473,568
<b>Non-allowable Assets</b>		
Property and equipment, net		62,896
Other assets		<u>36,276</u>
Total non-allowable assets		<u>99,172</u>
<b>Net Capital Before Haircuts on Securities Positions</b>		<u>6,374,396</u>
<b>Haircuts on Securities</b>		
Equity securities		306,500
Securities not readily marketable		3,300
Debt securities		<u>127,532</u>
Total haircuts on securities		<u>437,332</u>
<b>Net Capital</b>	\$	<u>5,937,064</u>
<b>Aggregate Indebtedness</b>	\$	<u>25,840</u>
<b>Computation of Basic Net Capital Requirement</b>		
Minimum net capital required	\$	<u>1,722</u>
Minimum dollar net capital requirement	\$	<u>100,000</u>
Net capital requirement (greater of above)	\$	<u>100,000</u>
Excess net capital	\$	<u>5,837,064</u>
Excess net capital at 1,000%	\$	<u>5,934,479</u>
<b>Ratio of Aggregate Indebtedness to Net Capital</b>		<u>.004 to 1</u>

There were no material differences between the computation of net capital and the basic net capital requirement computation included in these financial statements with those previously reported and amended by the Company.

Board of Directors  
L.J. Hart & Company  
Page 3.

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.

BKD, LLP

St. Louis, Missouri  
February 20, 2007

END