



09040962

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8-49279

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 04/01/08 AND ENDING 03/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Stephen A. Kohn & Associates, Ltd.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

3232 South Vance Street, Suite 210

(No. and Street)

Lakewood

CO

80227

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Stephen A. Kohn (303) 984-2558

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Spicer Jeffries LLP

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

5251 S. Quebec Street, Suite 200

Greenwood Village

CO

80111

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SEC  
Mail Processing  
Section

MAY 28 2009

Washington, DC

**FOR OFFICIAL USE ONLY** 122

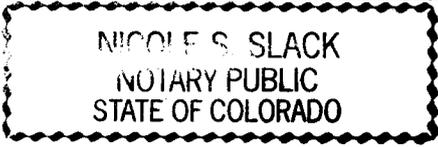
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Stephen A. Kohn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stephen A. Kohn & Associates, Ltd., as of March 31, 2009, 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



MY COMMISSION EXPIRES 10/06/2010

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 of Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital (including reconciliation of X-17A-5 Part II filing with this Rule 17a-5(d) report, if applicable).
(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) Independant Auditors' Report on Internal Accounting Control.

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

**STEPHEN A. KOHN & ASSOCIATES, LTD.**

**CONTENTS**

	<u>Page</u>
Independent Auditors' Report	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Shareholder's Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 – 13
Supplementary Schedule:	
Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1	14
Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5	15 - 16



SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

5251 SOUTH QUEBEC STREET • SUITE 200

GREENWOOD VILLAGE, COLORADO 80111

TELEPHONE: (303) 753-1959

FAX: (303) 753-0338

www.spicerjeffries.com

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Stephen A. Kohn & Associates, Ltd.

We have audited the accompanying statement of financial condition of Stephen A. Kohn & Associates, Ltd. as of March 31, 2009, and the related statements of operations, changes in shareholder'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. 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 Stephen A. Kohn & Associates, Ltd. as of March 31, 2009, 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 made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying table of contents is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Spicer Jeffries LLP*

Greenwood Village, Colorado  
May 12, 2009



STEPHEN A. KOHN & ASSOCIATES, LTD.

STATEMENT OF FINANCIAL CONDITION  
MARCH 31, 2009

---

ASSETS

Cash and cash equivalents	\$	1,366
Commissions receivable		30,185
Deposit with clearing firm		26,075
Securities owned, at market value		8,811
Due from clearing broker		5,523
Computers and equipment, at cost, net of accumulated depreciation of \$2,424		<u>3,384</u>
<b><i>Total assets</i></b>	<b>\$</b>	<b><u>75,344</u></b>

LIABILITIES AND SHAREHOLDER'S EQUITY

**LIABILITIES:**

Commissions payable	\$	45,032
Accounts payable and accrued expenses		<u>19,681</u>
<b><i>Total liabilities</i></b>		<b><u>64,713</u></b>

**COMMITMENTS AND CONTINGENCIES** (Notes 4 and 6)

**SHAREHOLDER'S EQUITY** (Note 3):

Common stock, par value \$.001 per share; 800,000 shares authorized; 800,000 shares issued and outstanding		800
Additional paid-in capital		150,900
Deficit		<u>(141,069)</u>
<b><i>Total shareholder's equity</i></b>		<b><u>10,631</u></b>

<b><i>Total liabilities and shareholder's equity</i></b>	<b>\$</b>	<b><u>75,344</u></b>
--	-----------	----------------------

STEPHEN A. KOHN & ASSOCIATES, LTD.

STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 2009

---

**REVENUES:**

Commissions	\$	593,318
Advisory fees		132,849
Other income		72,768
Trading losses, net		<u>(8,586)</u>

*Total revenues* 790,349

**EXPENSES:**

Commissions	653,224
General and administrative expenses	72,296
Occupancy and equipment expenses	46,371
Professional fees	23,000
Communications	15,198
Dues and assessments	10,499
Clearing expenses	<u>9,300</u>

*Total expenses* 829,888

**NET LOSS BEFORE INCOME TAXES** (39,539)

Provision for income taxes (Note 2) -

**NET LOSS** \$ (39,539)

STEPHEN A. KOHN & ASSOCIATES, LTD.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
YEAR ENDED MARCH 31, 2009

	Common Stock		Additional	
	Shares	Amount	Paid-In	Deficit
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>
<b>BALANCES, March 31, 2008</b>	800,000	\$ 800	\$ 164,900	\$ (101,530)
Dividends	-	-	(14,000)	-
Net loss	-	-	-	(39,539)
<b>BALANCES, March 31, 2009</b>	<u>800,000</u>	<u>\$ 800</u>	<u>\$ 150,900</u>	<u>\$ (141,069)</u>

The accompanying notes are an integral part of this statement.

STEPHEN A. KOHN & ASSOCIATES, LTD.

STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2009

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$ (39,539)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	92
Increase in commissions receivable	(17,622)
Decrease in due from clearing broker	3,456
Decrease in securities owned, at market value	29,849
Decrease in accounts payable and accrued expenses	(3,429)
Decrease in commissions payable	(13,276)
Decrease in other assets	<u>394</u>

*Net cash used in operating activities* (40,075)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Dividends	<u>(14,000)</u>
-----------	-----------------

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (54,075)

**CASH AND CASH EQUIVALENTS, beginning of year** 55,441

**CASH AND CASH EQUIVALENTS, end of year** \$ 1,366

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Business**

Stephen A. Kohn & Associates, Ltd., (the "Company") was incorporated in Colorado on April 23, 1996 and operates as a securities broker-dealer dealing mainly in mutual funds and insurance related products. In addition, the Company may purchase and sell common stock on behalf of its customers and receive fees for investment banking activities.

**Valuation of Investments in Securities at Fair Value-Definition and Hierarchy**

The Company adopted the provisions of SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), effective January 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and blockage discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

NOTES TO FINANCIAL STATEMENTS

(continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Valuation of Investments in Securities at Fair Value-Definition and Hierarchy** (concluded)

Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Company values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

**Clearing Agreement**

The Company under Rule 15c3-3(k)(2)(ii) is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis.

The Company's agreement with its clearing broker provides that as clearing broker, the firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the "Act"). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the company is a member.

**Revenue Recognition**

Securities owned by the Company are recorded at market value and related changes in market value are reflected in income. For the year ended March 31, 2009, the Company has recorded proprietary transactions on a trade date basis. Commission revenue and related expenses have been recorded on a trade date basis. Other revenue is recognized when earned.

NOTES TO FINANCIAL STATEMENTS

---

(continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (concluded)

**Cash Equivalents**

For purposes of the statement of cash flows, the Company considers money market funds with a maturity of three months or less to be cash equivalents.

**Use of Estimates**

The preparation of 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.

**Income Taxes**

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under the asset and liability methods of Statement 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

In July 2006, the FASB issued Interpretation No. 48 (FIN 48) entitled "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity before being measured and recognized in the financial statements. Adoption of FIN 48 was required for fiscal years beginning after December 15, 2006. However, on December 31, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 entitled "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises" (FSB FIN 48-3) which deferred the effective date of FIN 48, for nonpublic enterprises included within the scope of FSP FIN 48-2, to the annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer implementation of FIN 48 until April 1, 2009, in accordance with the provisions of FSP FIN 48-3. The implementation of FIN 48 is not expected to have a material impact on the Company's financial statements.

STEPHEN A. KOHN & ASSOCIATES, LTD.

NOTES TO FINANCIAL STATEMENTS

(continued)

**NOTE 2 - INCOME TAXES**

The Company has an unused net operating loss carryforward as of March 31, 2009 of approximately \$68,000 for income tax and financial reporting purposes, expiring at various dates through March 31, 2028.

Significant components of the Company's deferred tax liabilities and assets as of March 31, 2009 are as follows:

Deferred tax liabilities	
Depreciation	\$ (967)
Unrealized gain	(4,942)
Deferred tax assets:	
Net operating loss carry forward	23,201
Valuation allowance for net deferred tax assets	<u>(17,292)</u>
	\$ <u>-</u>

The valuation allowance increased by \$12,169 for the year ending March 31, 2009.

**NOTE 3 - NET CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At March 31, 2009, the Company had net capital and net capital requirements of \$602 and \$5,000, respectively. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1. The Company was not in compliance with the net capital provision of Rule 15c3-1 and the net capital ratio. The Company notified the regulatory agencies of this deficiency and to remedy the deficiency the Company's shareholder infused \$29,985 as capital.

**NOTE 4 - COMMITMENTS AND RELATED PARTY TRANSACTIONS**

During the year ended March 31, 2009, the Company paid \$3,428 to a related party for the use of office equipment. The Company also leases office space on a month-to-month basis.

The Company has also entered into a noncancellable operating lease for office equipment which begins April 2008 and expires in March 2012. Below is a schedule of future rental commitments by fiscal year-end:

STEPHEN A. KOHN & ASSOCIATES, LTD.

NOTES TO FINANCIAL STATEMENTS

(continued)

**NOTE 4 - COMMITMENTS AND RELATED PARTY TRANSACTIONS** (concluded)

<u>March 31,</u>	
2009	\$ 2,304
2010	2,304
2011	2,304
2012	<u>2,304</u>
<b>Total</b>	<b>\$ <u>9,216</u></b>

Total rental expense of approximately \$40,400 was paid for the year ended March 31, 2009.

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS No. 157. See Note 1 for a discussion of the Company's policies.

The following table presents information about the Company's assets measured at fair value as of March 31, 2009:

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance as of December 31, 2008</u>
<b>Assets:</b>				
Securities	<u>\$ 8,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,811</u>

**NOTE 6 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES**

The Company is in business as a securities broker-dealer registered with the Securities and Exchange Commission and the Financial Industry Regulatory Authority, Inc. The Company is a broker and deals primarily in stocks, bonds and mutual funds which it buys and sells on behalf of its customers on a fully disclosed basis.

In the normal course of business, the Company's client activities ("clients") through its clearing broker involve the execution, settlement and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

STEPHEN A. KOHN & ASSOCIATES, LTD.

NOTES TO FINANCIAL STATEMENTS

---

(continued)

**NOTE 6 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES** (concluded)

In the Company's trading activities, the Company has purchased securities for its own account and may incur losses if the market value of these securities decline subsequent to March 31, 2009.

The Company bears the risk of financial failure by its clearing broker. If the clearing broker should cease doing business, the amounts due from this clearing broker could be subject to forfeiture.

The Company's financial instruments, including cash, receivables, payables and other accrued liabilities are carried at amounts which approximate fair value due to their short maturities. Securities owned are valued at market value using quoted market prices.

**SUPPLEMENTARY INFORMATION**

STEPHEN A. KOHN & ASSOCIATES, LTD.

COMPUTATION OF NET CAPITAL  
PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1  
MARCH 31, 2009

---

**CREDIT:**

Shareholder's equity \$ 10,631

**DEBITS:**

Non-allowable assets:

Fixed assets 3,384

Commissions 5,329

*Total debits* 8,713

**NET CAPITAL BEFORE HAIRCUTS** 1,918

Haircuts on securities positions and money market funds 1,316

**NET CAPITAL** 602

Minimum requirements of 6-2/3% of aggregate indebtedness of  
\$64,713 or \$5,000, whichever is greater 5,000

*Net capital deficiency* \$ (4,398)

**AGGREGATE INDEBTEDNESS:**

Accounts payable and accrued expenses \$ 19,681

Commissions payable 45,032

**TOTAL AGGREGATE INDEBTEDNESS** \$ 64,713

**RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL** 107.5 to 1

NOTE: There are no material differences between the above computation of net capital and the corresponding computation as submitted by the Company with the unaudited Form X-17A-5 as of March 31, 2009.



SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

5251 SOUTH QUEBEC STREET • SUITE 200  
GREENWOOD VILLAGE, COLORADO 80111

TELEPHONE: (303) 753-1959

FAX: (303) 753-0338

www.spicerjeffries.com

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors of  
Stephen A. Kohn & Associates, Ltd.

In planning and performing our audit of the financial statements and supplementary information of Stephen A. Kohn & Associates, Ltd. (the "Company") as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or 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, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 internal control structure policies and procedures 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 and 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. This report recognizes that it is not practicable in an organization the size of the Company to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above. However, although the Company generates financial statements on a timely basis in accordance with generally accepted accounting principles, it does not include footnotes to these statements. Accordingly, this is considered a control deficiency.

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 as described in the second paragraph of this report, were adequate at March 31, 2009, to meet the SEC's objectives.

In addition, our review indicated that the Company was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of March 31, 2009, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, 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 A. KOHN & ASSOCIATES, LTD.**

**REPORT PURSUANT TO RULE 17a-5(d)**

**YEAR ENDED MARCH 31, 2009**