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

SEC FILE NUMBER  
 8- 20109

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 November 1, 2009 AND ENDING December, 31, 2010  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kious Inc Company, Incorporated

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
320 Gold Street SE, Suite 919

OFFICIAL USE ONLY  
 FIRM I.D. NO.

(No. and Street)

Albuquerque  
(City)

NM  
(State)

87101  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Michael Kious 505-243-3703

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Moss Adams LLP

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

6100 Uptown Blvd. NE, Suite 400 Albuquerque  
(Address) (City)

NM  
(State)

87110  
(Zip Code)

CHECK ONE:

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

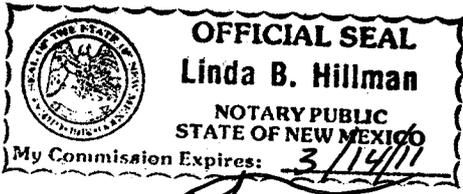
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

AM

OATH OR AFFIRMATION

I, Michael Kious, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kious & Company, Incorporated, as of February 28, 20 11, 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:



Notary Public

Michael Kious
Signature
President
Title

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).

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## Report of Independent Auditors

Board of Directors  
Kious & Company, Incorporated  
Albuquerque, New Mexico

We have audited the accompanying statements of financial condition of Kious & Company, Incorporated (Company) as of December 31, 2010 and October 31, 2009, and the related statements of income, changes in stockholder's equity, and cash flows for the fourteen month and twelve month periods, respectively, 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 audits.

We conducted our audits 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 audits provide 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 Kious & Company, Incorporated as of December 31, 2010 and October 31, 2009, and the results of its operations and its cash flows for the fourteen month and twelve month periods, respectively, then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Kious & Company, Incorporated  
Albuquerque, New Mexico

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
February 28, 2011

**KIOUS & COMPANY, INCORPORATED**  
**STATEMENTS OF FINANCIAL CONDITION**  
**December 31, 2010 and October 31, 2009**

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 403,215	217,642
Cash on deposit with clearing agent	486,596	660,024
Trading securities, at market (cost, 2010 - \$480,074 2009 - \$88,363)	445,268	57,738
Receivables from broker/dealer	5	27,070
Accrued interest receivable	2,496	276
Furniture and equipment, at cost less allowances for depreciation (2010 and 2009 - \$102,018)	1,359	1,359
Other assets	20,777	57,183
	<hr/>	<hr/>
	\$ 1,359,716	1,021,292
	<hr/> <hr/>	<hr/> <hr/>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Payable to clearing agent	\$ 381,361	-
Reserve for benefit of customers	1	1
Other liabilities	4,535	5,622
	<hr/>	<hr/>
	385,897	5,623
	<hr/> <hr/>	<hr/> <hr/>
Common stock, par value \$1.00 per share; authorized 500,000 shares; issued and outstanding 15,000 shares	15,000	15,000
Retained earnings	958,819	1,000,669
	<hr/>	<hr/>
	973,819	1,015,669
	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,359,716	1,021,292
	<hr/> <hr/>	<hr/> <hr/>

*See Notes to Financial Statements.*

**KIOUS & COMPANY, INCORPORATED**  
**STATEMENTS OF INCOME**  
**For the Fourteen Month Period Ending December 31, 2010 and**  
**Year Ending October 31, 2009**

	2010 (14 months)	2009 (12 months)
Revenues		
Underwriting income	\$ -	1,520
Trading income	146,356	439,234
Consulting income	32,278	-
Interest, taxable	1,690	1,723
Interest, tax-exempt	7,800	25,541
	<u>188,124</u>	<u>468,018</u>
Operating expenses		
Salaries	107,493	145,361
General and administrative	35,469	42,850
Profit sharing	35,355	-
Professional fees	23,471	24,051
Bank fees	13,249	23,448
Insurance	5,895	6,630
Subscriptions and dues	5,889	8,185
Promotion and education	2,496	1,192
Automotive	607	617
Interest	-	11,147
	<u>229,924</u>	<u>263,481</u>
(Loss) income before income taxes	(41,800)	204,537
Income tax expense	50	50
<b>Net (loss) income</b>	<u>\$ (41,850)</u>	<u>204,487</u>

*See Notes to Financial Statements.*

**KIOUS & COMPANY, INCORPORATED**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**For the Fourteen Month Period Ending December 31, 2010 and**  
**Year Ending October 31, 2009**

	Common Stock	Retained Earnings	Total Stockholder's Equity
Balance, October 31, 2008	\$ 15,000	1,268,045	1,283,045
Capital distributions	-	(471,863)	(471,863)
Net income	-	204,487	204,487
Balance, October 31, 2009	\$ 15,000	1,000,669	1,015,669
Net loss	-	(41,850)	(41,850)
<b>Balance, December 31, 2010</b>	<b>\$ 15,000</b>	<b>958,819</b>	<b>973,819</b>

*See Notes to Financial Statements.*

**KIOUS & COMPANY, INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
**For the Fourteen Month Period Ending December 31, 2010 and**  
**Year Ending October 31, 2009**

	2010 (14 months)	2009 (12 months)
Cash Flows From Operating Activities		
Net (loss) income	\$ (41,850)	204,487
Adjustments to reconcile net income to net cash provided by operating activities		
Unrealized gain (loss) on trading activities	(4,181)	25,478
Purchase of trading securities	(18,367,240)	(104,323,604)
Sales of trading securities	17,983,891	105,515,398
Changes in assets and liabilities		
Cash on deposit with clearing agent	173,428	4,246
Customer receivables	27,065	92,495
Other assets	36,406	(44,454)
Accrued interest receivable	(2,220)	5,022
Other liabilities	(1,087)	(101,427)
<b>Total adjustments</b>	<u>(153,938)</u>	<u>1,173,154</u>
<b>Net cash (used) provided by operating activities</b>	<u>(195,788)</u>	<u>1,377,641</u>
Cash Flows From Investing Activities		
Capital distribution	-	(471,863)
Cash Flows From Financing Activities		
Net proceeds (payments) of short-term borrowings from clearing agent	<u>381,361</u>	<u>(1,032,181)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>185,573</b>	<b>(126,403)</b>
Cash and cash equivalents at beginning of period	<u>217,642</u>	<u>344,045</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 403,215</u></u>	<u><u>217,642</u></u>
Supplemental disclosures of cash flow information		
Cash paid during the year for Interest	<u>\$ -</u>	<u>23,448</u>

*See Notes to Financial Statements.*

**KIOUS & COMPANY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations.* Kious & Company, Incorporated (Company) engages in the purchase and selling of municipal bonds and treasury bills in both the primary and secondary markets. The Company also provides financial advisory services to cities, counties, schools, and other New Mexico governmental agencies. The Company's customers are located mainly in New Mexico and include financial institutions, individual investors, mutual funds, insurance companies and governmental agencies.

*Customers' Securities.* Customers' securities transactions and the related commission income and expenses are recorded on a trade date basis. Underwriting fees are recorded at the time the underwriting is completed and the income is reasonably determinable.

*Investment Securities.* Investment securities are comprised of municipal and other bonds and publicly traded stocks.

Gains and losses on the sale of investment securities are determined using the specific identification method.

Investments in equity securities that have readily determinable fair values and all investments in debt securities are to be classified in three categories and accounted for as follows:

- *Held-to-Maturity.* Debt securities that the Company has the positive intent and ability to hold-to-maturity are classified as held-to-maturity securities and reported at amortized cost.
- *Trading Securities.* Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized holding gains and losses included in earnings. All securities held by the Company are classified as trading securities.
- *Available-For-Sale.* Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholder's equity, net of applicable deferred income taxes.

**KIOUS & COMPANY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Cash and Cash Equivalents.* For purposes of the Statements of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held-for-sale in the ordinary course of business. At year-end and throughout the year, there were deposits in excess of federally insured limits. Management believes the Company is not exposed to any significant credit risks on cash and cash equivalents.

*Furniture and Equipment.* Depreciation of furniture and equipment is provided on a straight-line basis using estimated useful lives of three to ten years.

*Income Taxes.* The Company accounts for its income taxes in accordance with Financial Accounting Standards Statement No. 109, *Accounting for Income Taxes* (SFAS 109).

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

Pursuant to ASC 740, the Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

*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.

**NOTE 2. 401(k) PROFIT SHARING PLAN**

The Company has a 401(k) profit sharing plan that covers all employees. Contributions to the plan are made at the discretion of the Board of Directors but may not exceed the maximum amount deductible for income tax purposes. The Company made contributions to the plan of \$35,355 during the fourteen month period ending December 31, 2010. No contributions to the plan were made during the year ended October 31, 2009.

**KIOUS & COMPANY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 3. NET CAPITAL REQUIREMENTS**

The Company is subject to the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1, which requires that aggregate indebtedness, as defined, shall not exceed 15 times net capital, as defined (and the rule of the “applicable” exchange also provides that equity capital may not be withdrawn or cash dividends paid if the aggregate indebtedness would exceed ten times the net capital, as defined). For the fourteen month period ending December 31, 2010, the Company had net capital of \$930,627 which was in excess of required net capital by \$830,627 and had a ratio of aggregate indebtedness to net capital of .41 to 1.

**NOTE 4. INCOME TAXES**

The provision for income taxes consists of the following for the fourteen month period ending December 31, 2010 and year ending October 31, 2009:

	<b>December 31,</b>	<b>October 31,</b>
	<b>2010</b>	<b>2009</b>
Current expense		
Federal	\$ -	-
State	50	50
Deferred expense		
Federal	-	-
State	-	-
	<u>\$ 50</u>	<u>50</u>

Net operating loss carryforwards of \$117,010 for federal tax purposes, expire in tax years 2024 to 2029. State income taxes paid in 2009 and 2010 are for the annual franchise filing fee. At December 31, 2010 and October 31, 2009, all deferred tax assets are offset by a valuation allowance.

The Company is subject to taxation in the U.S. federal and New Mexico. The Company is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2007. The Company does not have any uncertain tax positions at December 31, 2010.

**NOTE 5. LIABILITIES SUBORDINATED TO CLAIMS OF CREDITORS**

At December 31, 2010 and October 31, 2009, there were no liabilities subordinated to claims of creditors, nor were there any such liabilities during the period.

**KIOUS & COMPANY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 6. RENTAL COMMITMENT**

The Company's rental expense for the fourteen month period ending December 31, 2010 and year ended October 31, 2009 was \$10,616 and \$12,146, respectively. The Company's rental expense is on a month by month basis.

**NOTE 7. DISTRIBUTION OF RETAINED EARNINGS**

In fiscal year 2008, the Company's sole stockholder passed away. In fiscal year 2009, as allowed for under Section 303 of the IRS tax code, all estate taxes and certain other estate expenses in the amount of \$471,863 were distributed out of the Company to the estate. No distributions were made in the fourteen month period ended December 31, 2010.

**NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Effective November 1, 2009, the Company adopted Accounting Standards Codification No. 820, Fair Value Measurements and Disclosures (ASC 820). ASC 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 has been applied prospectively as of the beginning of the year ended December 31, 2008.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**KIOUS & COMPANY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

At December 31, 2010:

Fair Value Measurements at Reporting Date Using

Description	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 423,370	-	423,370	-
Stocks	21,898	21,898	-	-
	<u>\$ 445,268</u>	<u>21,898</u>	<u>423,370</u>	<u>-</u>

At October 31, 2009:

Fair Value Measurements at Reporting Date Using

Description	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 44,526	-	44,526	-
Stocks	13,212	13,212	-	-
	<u>\$ 57,738</u>	<u>13,212</u>	<u>44,526</u>	<u>-</u>

**NOTE 9. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Company has evaluated subsequent events through February 28, 2011, which is the date the financial statements are available to be issued.

**KIOUS & COMPANY, INCORPORATED**  
**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2010**

Net Capital

Total stockholder's equity (qualified for net capital)	\$ 973,819
Deductions	
Non-allowable assets	
Other assets	<u>22,136</u>
Net Capital Before Haircuts on Security Positions (tentative net capital)	
Haircuts on security positions	
Trading securities (municipal bonds and governmental securities)	<u>21,056</u>
Net capital	930,627
Computation of Basic Net Capital Requirement	
Net capital requirement (6-2/3% of aggregate indebtedness or \$100,000, whichever is greater)	<u>100,000</u>
<b>Excess net capital</b>	<u><u>\$ 830,627</u></u>
Computation of Aggregate Indebtedness	
<b>Total liabilities</b>	<u><u>\$ 385,897</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>41%</u></u>
<b>Net capital less 10% of aggregate indebtedness</b>	<u><u>\$ 792,037</u></u>

**KIOUS & COMPANY, INCORPORATED**  
**COMPUTATION FOR DETERMINATION OF RESERVE**  
**REQUIREMENTS PURSUANT TO RULE 15c3-3**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2010**

The Company has a special reserve account for the benefit of its customers. However, under Rule 15c3-3(k), exemption (2)(A), the Company is exempt from the computation for determination of reserve requirements pursuant to Rule 15c3-3(e)(1).

**KIOUS & COMPANY, INCORPORATED**  
**INFORMATION RELATING TO THE POSSESSION OR**  
**CONTROL REQUIREMENTS UNDER RULE 15c3-3**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2010**

1. Customers' fully-paid and excess margin securities not in the respondent's possession and control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within time frames specified under Rule 15c3-3):

\$ \_\_\_\_\_ -

Number of items

\_\_\_\_\_ None

2. Customers' fully-paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags that result from normal business operations" as permitted under Rule 15c3-3:

\$ \_\_\_\_\_ -

Number of items

\_\_\_\_\_ None

**KIOUS & COMPANY, INCORPORATED**  
**STATEMENT PURSUANT TO RULE 17a-5(d)(4)**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2010**

There were no differences between the computation of Net Capital Under Rule 15c3-1, as included in this audited report and the computations included in the Company's unaudited Form X-17A-5, Part II, filing.

	As Reported On Form X-17A-5	Adjustments	As Included Herein
Total stockholder's equity	\$ 973,819		973,819
Deductions, non-allowable assets	22,136		22,136
Net capital before haircuts	951,683		951,683
Haircuts	21,056		21,056
<b>Net capital</b>	<b>\$ 930,627</b>		<b>930,627</b>
<b>Net capital requirement</b>	<b>\$ 100,000</b>		<b>100,000</b>
<b>Excess net capital</b>	<b>\$ 830,627</b>		<b>830,627</b>
<b>Total liabilities</b>	<b>\$ 385,897</b>		<b>385,897</b>
Percent of aggregate indebtedness to net capital	41.47%		41.47%

## Independent Auditors' Supplementary Report on Internal Control

To the Board of Directors  
Kious & Company, Incorporated

In planning and performing our audit of the financial statements of Kious & Company, Incorporated (Company) as of and for the fourteen month period ending December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control), 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 includes tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

- (1) Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e);
- (2) Making the quarterly securities examinations, counts, verifications, and comparisons and the recordation of differences required by rule 17a-13;
- (3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve System Regulation T of the Board of Governors of the Federal Reserve System; and
- (4) Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

To the Board of Directors  
Kious & Company, Incorporated

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 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, 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.

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 deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Directors  
Kious & Company, Incorporated

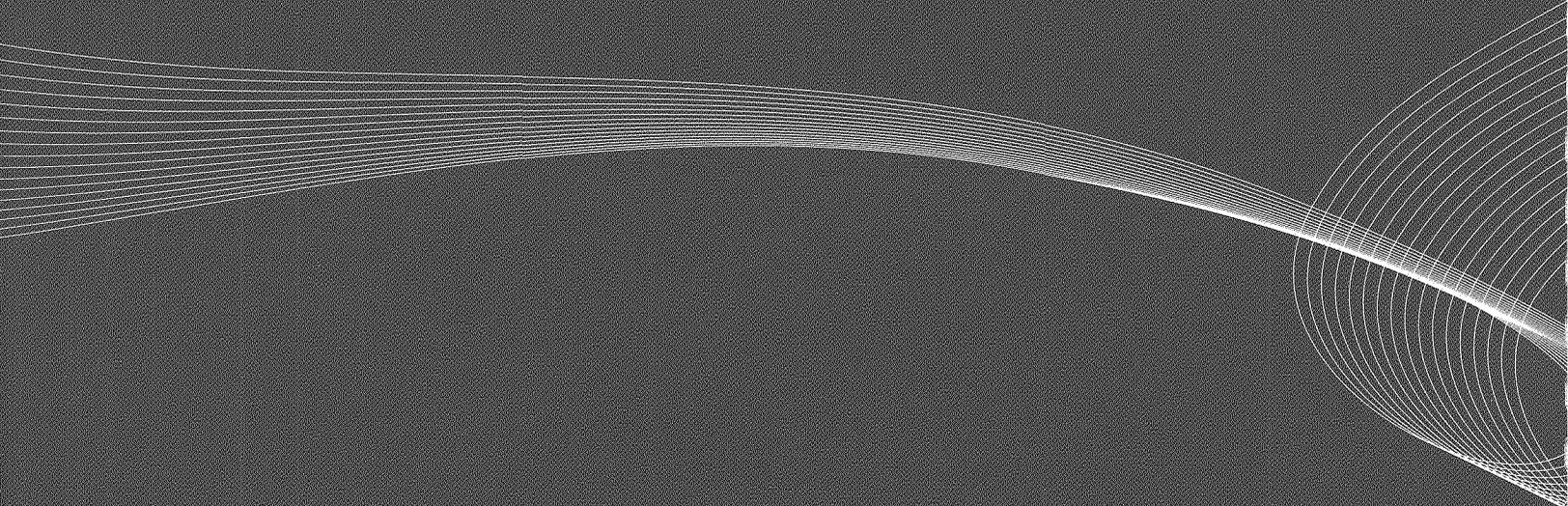
Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

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 December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of management, Board of Directors, the Financial Industry Regulatory Authority (FINRA), the SEC 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
February 28, 2011



# MOSS ADAMS<sub>LLP</sub>

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**KIOUS & COMPANY, INCORPORATED**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**