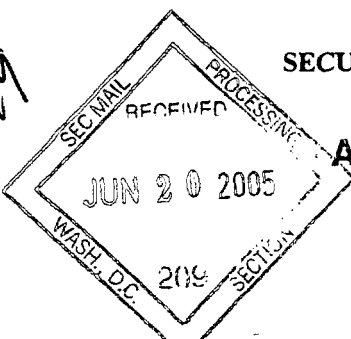


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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 05/01/04 AND ENDING 04/30/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
MODERN INVESTMENT CORPORATION

OFFICIAL USE ONLY
FIRM ID. NO.

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

23482 PERALTA DR #B-1

(No. and Street) LAGUNA HILLS CA 92653
(City) (State) (Zip Code)

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

ALDEN E ANDREW (949) 837-0517
(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WITTENBERG & WITTENBERG

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

767 S. SUNSET AVE #6 WEST COVINA CA 91790
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
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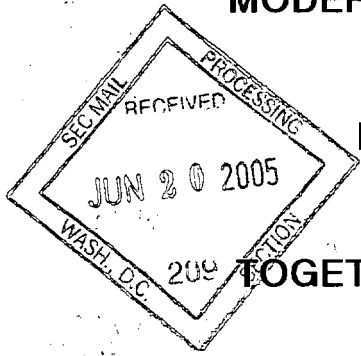
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FINANCIAL

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).

BB
8/10/05

MODERN INVESTMENT CORPORATION



**FINANCIAL STATEMENTS
AS OF APRIL 30, 2005**

TOGETHER WITH AUDITORS' REPORT

**WITTENBERG & WITTENBERG,
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

**WITTENBERG & WITTENBERG
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO MODERN INVESTMENT CORPORATION:

We have audited the balance sheet of Modern Investment Corporation (a California Corporation) as of April 30, 2005, 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 generally accepted auditing standards. 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 Modern Investment Corporation as of April 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules entitled "Statement of Changes in Liabilities Subordinated to Claims of General Creditors", "Computation for Determination of Reserve Requirements for Broker Dealers under Rule 15c-3-3", and "Computation of Net Capital Under SEC Rule 15c-3-1" are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.



WITTENBERG & WITTENBERG,
CERTIFIED PUBLIC ACCOUNTANTS, INC.

West Covina, California
June 2, 2005

MODERN INVESTMENT CORPORATION
BALANCE SHEET

APRIL 30, 2005

ASSETS

Current assets:	
Cash and equivalents	\$2,687
Certificate of deposit (maturing October, 2005)	10,018
Commissions receivable	0
Prepaid insurance	185
Prepaid Franchise taxes	800

Total current assets	13,690
Office equipment, net of accumulated depreciation of \$2,282	0

Total assets	\$13,690 =====

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:	
Commissions payable	\$0
Accounts payable	0

Total current liabilities	0
Shareholder's equity:	
Capital stock, par value \$1.00, 200,000 shares authorized, 1,000 shares issued & outstanding	\$1,000
Paid-in capital	4,000
Retained earnings	8,690

Total shareholder's equity	13,690

Total liabilities and shareholder's equity	\$13,690 =====

The accompanying notes are an integral part of these financial statements.

MODERN INVESTMENT CORPORATION
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED APRIL 30, 2005

REVENUES:

Commissions earned	\$14,786
Interest and other income	141

	14,927

OPERATING EXPENSES:

Sales commissions	969
Taxes and licenses	25
Insurance	369
NASD and SIPC fees	935
Accounting & legal fees	925
Management fees	9,773
Bank charges and other	73

	13,069

NET PROFIT BEFORE TAXES 1,858

PROVISION FOR INCOME TAXES 800

NET INCOME \$1,058

=====

The accompanying notes are an integral part of these financial statements.

MODERN INVESTMENT CORPORATION

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED APRIL 30, 2005

	Common Shares Outstanding	Capital Stock	Paid-in Capital	Retained Earnings	Total Shareholder's Equity
Balance, April 30, 2004	1,000	\$1,000	\$4,000	\$7,632	\$12,632
Net income for the year ended April 30, 2005				1,058	1,058
Balance, April 30, 2005	1,000	\$1,000	\$4,000	\$8,690	\$13,690

The accompanying notes are an integral part of these financial statements.

MODERN INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2005

OPERATING ACTIVITIES:

Net income	\$1,058
Changes in operating assets and liabilities:	
Receivables	0
Prepaid expenses	(800)
Payables	(720)

Net cash flows from operating activities	(462)

INVESTING ACTIVITIES:

Increase in investment in certificates of deposit	(11)

Net cash flows from investing activities	(11)

Net cash flows from all activities	(473)
Cash and equivalents, beginning of year	3,160

Cash and equivalents, end of year	\$2,687
	=====

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Interest paid	\$0
Income taxes paid	\$0

The accompanying notes are an integral part of these financial statements.

MODERN INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash:

For purposes of the statement of cash flows, the Company considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property, plant and equipment:

Office equipment was depreciated over a five-year life, using a declining-balance method.

The Company follows the policy of capitalizing expenditures that significantly increase the life of the related assets and charging maintenance and repairs to expense. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in income.

Revenue recognition:

New sales commission revenues are recognized on a trade date basis. "Trail commissions", which collections are not determined by the Company, are recorded when received.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires Company management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. RELATED PARTY TRANSACTIONS

The Company's sole shareholder earns commissions by brokering securities transactions for the Company. During fiscal 2005, the Company paid or accrued \$33 in commissions to such shareholder for such services.

The Company occupies space leased by the sole shareholder on a rent-free basis. In addition, certain administrative services and facilities costs are provided by the sole shareholder at no cost to the Company.

During fiscal 2005, the sole shareholder charged the Company \$9,773 for management services provided.

3. INCOME TAXES

The provision for income taxes for fiscal 2005 consisted of the following:

Federal taxes	\$0
California franchise taxes	800

Total	\$800
	=====

4. MINIMUM NET EQUITY REQUIREMENTS:

As a broker-dealer subject to the Securities and Exchange Commission's rules and regulations, the Company must maintain certain minimum net equity levels, generally equal to the greater of one-half of the Company's aggregate indebtedness, or \$5,000. At April 30, 2005 the Company was in compliance with such requirements.

5. DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

The commissions receivable reflect broker's commissions earned through the sale of mutual funds, annuities, and limited partnership investments. Such receivables are paid to the Company by the respective investment companies, and are not generally subject to risks related to uncollectibility. The related commissions payable to brokers are generally paid once the related receivables have been collected. In general, the commissions receivable and payable are settled within 30 days of the trade date.

MODERN INVESTMENT CORPORATION
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS
APRIL 30, 2005

NO SUBORDINATED LIABILITIES.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER DEALERS UNDER RULE 15c-3-3
APRIL 30, 2005

The registrant is exempt from the requirements of Rule 15c-3-3 pursuant to a k(2)(a) exemption, in that the registrant clears all of its customers' transactions through a bank in which it has established a special account for exclusive benefit of customers and registrant does not handle any customer funds or securities.

MODERN INVESTMENT CORPORATION
SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER SEC RULE 15c-3-1
APRIL 30, 2005

SHAREHOLDER'S EQUITY:	
Paid-in capital	\$5,000
Retained earnings	8,690

Total	13,690
Less haircut adjustment for:	
Certificates of deposit	(38)
Non-allowable assets	(985)

ADJUSTED NET EQUITY	12,667
LESS: MINIMUM CAPITAL REQUIREMENTS (\$5,000 OR 1/2 OF AGGREGATE INDEBTEDNESS, WHICHEVER IS GREATER)	
	5,000

EXCESS EQUITY	\$7,667
	=====
EXCESS NET CAPITAL AT 1000%	\$12,667
	=====
AGGREGATE INDEBTEDNESS AS OF APRIL 30, 2005	\$0
	=====

The net capital and excess equity amounts shown above, of \$12,667 and \$7,667 respectively, are identical to the amounts shown in the Company's Focus report as of April 30, 2005.

**WITTENBERG & WITTENBERG
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO MODERN INVESTMENT CORPORATION:

We have audited the financial statements of Modern Investment Corporation (the "Company") for the year ended April 30, 2005 and have issued our report thereon dated June 2, 2005. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Also, as required by Rule 17a-5(j) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(j), (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and determining compliance with the exemptive provisions of Rule 15c-3-3: (ii) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13: and (iii) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

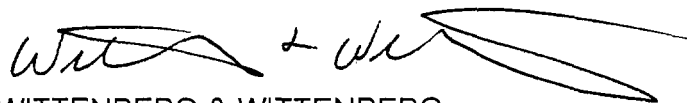
The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(j) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any system of internal accounting control or the practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Company taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 those 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 April 30, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission (or other designated regulatory organization and other regulatory agencies which rely on Rule 17a-5(j) under the Securities and Exchange Act of 1934) and should not be used for any other purpose.



WITTENBERG & WITTENBERG,
CERTIFIED PUBLIC ACCOUNTANTS, INC.

West Covina, California
June 2, 2005