

**REPORT PURSUANT TO SEC RULE 17a-5**

For the year ended December 31, 2018

**FIRST SOVEREIGN SECURITIES CORP.**

FINANCIAL STATEMENTS AND ACCOMPANYING  
SUPPLEMENTAL INFORMATION

**FIRST SOVEREIGN SECURITIES CORP.**  
**DECEMBER 31, 2018**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of First Sovereign Securities

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of First Sovereign Securities as of December 31, 2018, the related statements of income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of First Sovereign Securities as of December 31, 2018, 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.

### Basis for Opinion

These financial statements are the responsibility of First Sovereign Securities's management. Our responsibility is to express an opinion on First Sovereign Securities's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to First Sovereign Securities in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Supplemental Information

The supplemental information listed in the accompanying table of contents has been subjected to audit procedures performed in conjunction with the audit of First Sovereign Securities's financial statements. The supplemental information is the responsibility of First Sovereign Securities's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as First Sovereign Securities's auditor since 2017.

*Michael Coglianese CPA, P.C.*

Bloomington, IL  
February 26, 2019

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

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

OMB APPROVAL	
OMB Number:	3235-0123
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Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-48579

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 01/01/18 AND ENDING 12/31/18  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **First Sovereign Securities**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

**707 Skokie Boulevard, Suite 520**

(No. and Street)

**Northbrook**

**IL**

**60062**

(City)

(State)

(Zip Code)

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

Gary Hokin 224-269-0009

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

**Michael Coglianese CPA PC**

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

**125 E. Lake Street, Suite 303**

**Bloomington**

**IL**

**60108**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

<input checked="" type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Certified Public Accountant

Public Accountant

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

FOR OFFICIAL USE ONLY

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

## OATH OR AFFIRMATION

I, Gary Hokin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Sovereign Securities, as of December 31, 2018, 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:

\_\_\_\_\_

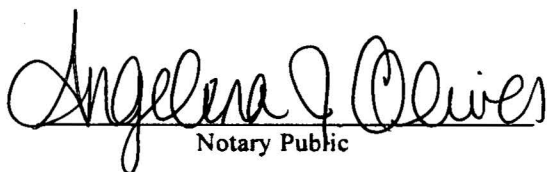
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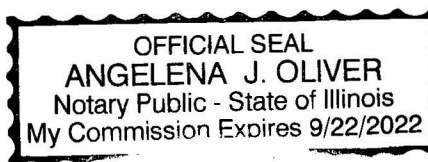
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Signature

President

Title

  
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).**

**FIRST SOVEREIGN SECURITIES CORP.**

**Statement of Financial Condition  
December 31, 2018**

**ASSETS**

Cash	\$ 12,779
Accounts Receivable	<u>404</u>
Total Assets	<u><u>\$ 13,183</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current Liabilities:**

Accounts Payable	<u>\$ 3,000</u>
Total Current Liabilities	<u>3,000</u>

**Stockholders' Equity**

Common stock - no par value, 100 shares authorized, 100 shares issued and outstanding	100
Paid in Capital	72,084
Retained earnings	(63,251)
Contributions	9,300
Net Income(Loss)	<u>(8,050)</u>

Total Stockholders' Equity	<u>10,183</u>
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Total Liabilities and Stockholders' Equity	<u><u>\$ 13,183</u></u>
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**FIRST SOVEREIGN SECURITIES CORP.**

**Statement of Income(Loss)  
December 31, 2018**

**REVENUE**

Commission & Concession	\$ 8,797
Section 529 Plan Income	<u>80</u>
Total Revenue	<u><u>\$ 8,877</u></u>

**OPERATING EXPENSES**

Professional Fees	\$ 10,027
Office Expense	1,209
Delivery Expenses	133
Education & Seminars	580
Licenses & Permits	<u>4,978</u>
Total Operating Expenses	<u><u>\$ 16,927</u></u>

NET INCOME(LOSS)	<u><u>\$ (8,050)</u></u>
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**FIRST SOVEREIGN SECURITIES CORP.**

**Statement of Changes in Stockholders' Equity  
December 31, 2018**

	Capital Stock	Paid in Capital	Retained Earnings	Total Stockholders' Equity
Beginning balance January 1, 2018	\$ 100	\$ 72,084	\$ (63,251)	\$ 8,933
Net Income(Loss)			(8,050)	(8,050)
Contributions Received			9,300	9,300
Ending Balance December 31, 2018	\$ 100	\$ 72,084	\$ (62,001)	\$ 10,183



**FIRST SOVEREIGN SECURITIES CORP.**

**Statement of Changes in Financial Condition  
December 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Loss \$ (8,050)

Adjustments to reconcile net income to net cash  
(used) by operating activities:

(Increase) decrease in:  
Accounts Receivable  
Prepaid Expense

\$ (19)  
(2,500)

Increase (decrease) in:  
Accounts Payable

\$(1,230)

Total adjustments (3,749)

Net cash (used in) operating activities (11,799)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Contributions Received 9,300

Net cash (used in) financing activities 9,300

Increase in cash 2,499

Cash - beginning of year 10,280

Cash - end of period \$ 12,779

Cash paid during the year for interest \$ -

Income tax payments \$ -

**FIRST SOVEREIGN SECURITIES CORP.**  
**Notes to Financial Statements**  
**December 31, 2018**

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

Accounting principles followed by First Sovereign Securities Corp. ("Company") and the methods of applying those principles which materially affect the determination of financial position, results of operation and cash flows are summarized below:

**Organization**

The Company was incorporated in the State of Illinois effective June 23, 1995. The Company has adopted a calendar year. Effective December 22, 2017, FINRA approved the transfer of ownership of the Company. Name changed on November 30, 2018 from Nikoh Securities Corporation to First Sovereign Securities Corp. As of December 31, 2018, Gary Hokin has a 90.2% ownership and Brien Reidy has a 9.8% ownership of the Company.

**Description of Business**

The Company, located in Northbrook, Illinois is a broker and dealer in securities registered with the Securities and Exchanges Commission ("SEC") and is a member of FINRA. As per the membership agreement with FINRA, the Company operates under the exemptive provision of SEC Rule 15c3- 3(k)(1).

**Going Concern**

The Company had minimal gross income for the year 2018 and is in the process of restructuring the business model along with having an upcoming ownership reorganization. The Company will focus future business ventures on brokering private placement sales and bridge loans. The owners are committed to funding the business for the next 12 months.

**Basis of Accounting**

The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Accounts Receivable - Recognition of Bad Debt**

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Revenue Recognition and Concentrations**

The Company recognized commission revenue from balances held in customer 401k account which is invested in mutual funds at Custodian and recorded when earned, in accordance with applicable agreements.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers: Topic 606 ("Topic 606"). Topic 606 requires new disclosures, including descriptions of performance obligations. The Company adopted the provision of this guidance on January 1, 2018 using the modified retrospective approach. The Company has performed an assessment of its revenue contracts and has not identified any material changes to the timing or amount of its revenue recognition under Topic 606. The Company's accounting policies did

**FIRST SOVEREIGN SECURITIES CORP.**  
**Notes to Financial Statements**  
**December 31, 2018**

not materially change as a result of applying the principles of revenue recognition from Topic 606 and are materially consistent with the existing guidance and current practices applied by the Company.

There was no impact to retained earnings as of January 1, 2018, or to revenue for the twelve months ended December 31, 2018 after adopting Topic 606 as revenue recognition and timing of revenue did not change as a result of implementing Topic 606.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United State 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:      Net Capital Requirements**

Pursuant to the net capital provisions of Rule 15c3-3 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. Further, the provisions require that the ratio of aggregate indebtedness, as defined, to net capital should not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2018 the company had net capital and net capital requirements of approximately \$9,779 and \$5,000 respectively which was \$4,779 excess net capital. The Company's aggregate indebtedness to net capital was 30.68%.

There was no material inadequacies in the amount reported as Net Capital in the audited Computation of Net Capital and the broker-dealers' corresponding in audited Part IIA of the FOCUS report required under Rule 15c3-1.

**Note 3:      Income Taxes**

The Company, with the consent of its stockholders, has elected to be taxed as a Subchapter S corporation for Federal and State income tax purposes. Therefore, all income or loss "flows through" to the stockholder's individual income tax returns. However, accruals are made for the State of Illinois income tax liability and is reflected in these financial statements. As the tax obligations are passed through to its shareholders, any audit or review considerations related to Internal Revenue Service assessments and statute of limitations thereof are borne by the Company's shareholders. Under section 6501(1) of the Internal Revenue Code (Tax Code) and section 301.6501(a)-1(a) of the Income Tax Regulations (Tax Regulations), for tax years 2014, 2015, 2016 and 2017 the IRS is required to assess tax within 3 years after the tax return was filed with the IRS.

**Note 4:      Other Commitments and Contingencies**

As of the audit date, there are no contingencies or guarantees of debt.

**Note 5:      Subsequent Events**

These financial statements were approved by management and available for issuance on February 26, 2019. Subsequent events have been evaluated through this date.

**FIRST SOVEREIGN SECURITIES CORP.**

**Schedule of Net Capital  
December 31, 2018**

	<u>Focus 12/31/18</u>	<u>Audit 12/31/18</u>	<u>Change</u>
Stockholder's equity, December 31, 2018	\$ 10,183	\$ 10,183	-
Subtract - Non allowable assets:			
Other asset	(404)	(404)	-
Tentative net capital	\$ 9,779	\$ 9,779	-
Haircuts:	-	-	-
 NET CAPITAL	 \$ 9,779	 \$ 9,779	 -
 Minimum net capital	 (5,000)	 (5,000)	 -
 Excess Net Capital	 \$ 4,779	 \$ 4,779	 -
 Aggregate indebtedness	 \$ 3,000	 \$ 3,000	 -
 Ratio of aggregate indebtedness to net capital	 30.68%	 30.68%	

Note:

*There was no difference noted relating to net capital between the Focus and the Financial Statements.*

**FIRST SOVEREIGN SECURITIES CORP.**  
**December 31, 2018**

**Schedule of  
Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission**

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3

**Schedule of  
Information Relating to Possession or Control  
Requirements Under Rule 15c3-3**

The Company is exempt from Rule 15c3-3 as it relates to Possession and Control.

On October 1, 2010, the Company terminated its clearing relationship and continued to operate under (k)(1) exemptive provision of SEC Rule 15c3-3. The Company has not yet amended its membership agreement with FINRA to reflect this change.

**Entity's SIPC Assessment Reconciliation**

The Company is exempt from the Rule 17a-5(c)(4) as it meets the minimum assessment as for in Section 4(d)(1)(c) of the Securities Investor Protection Act of 1970, as amended.



MICHAEL COGLIANESE CPA, P.C.  
ALTERNATIVE INVESTMENT ACCOUNTANTS

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Bloomington, IL 61810  
Tel 815.351.8942  
Mike@mcgcpa.com | www.mcgcpa.com

Bloomington | Chicago

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of First Sovereign Securities

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) First Sovereign Securities identified the following provisions of 17 C.F.R. §15c3-3(k) under which First Sovereign Securities claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(1) (exemption provisions) and (2) First Sovereign Securities stated that First Sovereign Securities met the identified exemption provisions throughout the period January 1, 2018 through December 31, 2018 without exception. First Sovereign Securities's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about First Sovereign Securities's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) (exemption provisions) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Michael Coglianese CPA, P.C.*

Bloomington, IL  
February 26, 2019

**First Sovereign Securities Corp.**  
**707 Skokie Boulevard, Suite 520**  
**Northbrook, IL 60062**

**Assertions Regarding Exemption Provisions**

We, as members of management of First Sovereign Securities Corp. ("the Company"), are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker or dealer's designated examining authority (DEA). One of the reports to be included in the annual filing is an exemption report prepared by an independent public accountant based upon a review of assertions provided the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the following assertions:

**Identified Exemption Provision:**

The Company claims exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(1).

**Statement Regarding Meeting Exemption Provision:**

The Company met the identified exemption provision without exception throughout the period ending January 1, 2018 through December 31, 2018.

First Sovereign Securities Corp.

By: 

\_\_\_\_\_  
Gary Hokin, President

\_\_\_\_\_  
January 31, 2019

Date