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STATES  
CHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-46312

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**WESPAC HAWAII SECURITIES, INC.**  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**111 N. KING STREET, SUITE 411**

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street) **HONOLULU, HAWAII 96817**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Eugene T. Ichinose, Jr. 808-536-6983**  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**ALLEN M. ARAKAKI, CPA, INC.**

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

**1314 SOUTH KING STREET, SUITE 723 HONOLULU HAWAII 96814**  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**  
**MAR 18 2002**

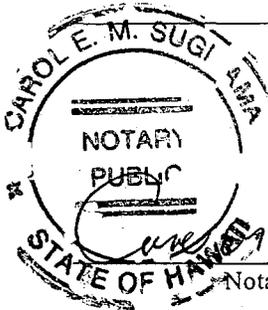
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THOMSON FINANCIAL

\*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)

So  
3/15/02

OATH OR AFFIRMATION

I, EUGENE T. ICHINOSE, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WESPAC HAWAII SECURITIES, INC., as of DECEMBER 31, 2001, 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

[Signature]  
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 15c3-3 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.

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

WESPAC HAWAII SECURITIES, INC.

INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2001

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**ALLEN M. ARAKAKI, CPA, INC.**

1314 South King Street/Suite 723/Honolulu, Hawaii 96814

Tel: (808) 591-8480 Fax: (808) 591-9384

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
WESPAC Hawaii Securities, Inc.  
Honolulu, Hawaii

We have audited the accompanying statement of financial condition of WESPAC Hawaii Securities, Inc. as of December 31, 2001 and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WESPAC Hawaii Securities, Inc. at December 31, 2001 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules on pages 9 to 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Honolulu, Hawaii  
February 14, 2002

WESPAC HAWAII SECURITIES, INC.  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2001

ASSETS

Cash	\$31,134
Commissions receivable	7,293
Investments	6,127
Office equipment, net of accumulated depreciation of \$6,068	6,116
Other assets	<u>569</u>
Total assets	<u>\$51,239</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Commissions payable	\$3,859
Accrued liabilities	4,847
Income taxes payable	639
Deferred income taxes	<u>1,187</u>
	<u>10,532</u>
Stockholders' equity -	
Common stock, \$10 par value per share Authorized 100,000 shares, issued and outstanding 1,200 shares	12,000
Retained earnings	<u>28,707</u>
Total stockholders' equity	<u>40,707</u>
Total liabilities and stockholders' equity	<u>\$51,239</u>

See Notes to Financial Statements.

WESPAC HAWAII SECURITIES, INC.  
STATEMENT OF INCOME  
For the Year Ended December 31, 2001

Revenue

Commissions - mutual funds	\$85,606
Commissions - annuities	15,372
Commissions - syndications	24,569
Investment income	287
Unrealized gain on investments	2,031
Realized loss on investments	(2,392)
Miscellaneous income	250
	<hr/>
	125,723
	<hr/>

Expenses

Registered representative compensation	72,244
Regulatory fees and expenses	571
Other expenses:	
Office rent	9,421
Salaries and wages	5,587
Taxes, other than income	8,782
Other	19,960
	<hr/>

Total expenses 

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 116,565

Income before income taxes 9,158

Income taxes 

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 1,826

Net income 

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 \$7,332

See Notes to Financial Statements.

WESPAC HAWAII SECURITIES, INC.  
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the Year Ended December 31, 2001

	Common Stock	Retained Earnings	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Balance, beginning of year	\$12,000	\$21,375	\$33,375
Net Income	<u>          -</u>	<u>      7,332</u>	<u>      7,332</u>
Balance, end of year	<u>      \$12,000</u>	<u>      \$28,707</u>	<u>      \$40,707</u>

See Notes to Financial Statements.

WESPAC HAWAII SECURITIES, INC.  
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS  
For the Year Ended December 31, 2001

Balance, beginning of year	\$ -
Increases	-
Decreases	<u>-</u>
Balance, end of year	<u>\$ -</u>

See Notes to Financial Statements

WESPAC HAWAII SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2001

Cash flows from operating activities:

Net income	\$7,332
Adjustments to reconcile net income to net cash provided by (used in) operations:	
Unrealized gain on investments	(2,032)
Realized loss on investments	2,392
Depreciation	2,179
Provision for deferred taxes	1,187
Change in operating assets and liabilities:	
Commissions receivables	511
Other assets	-
Commissions payable	(251)
Accrued liabilities	1,029
Income taxes payable	<u>(1,887)</u>
Net cash provided by operating activities	<u>10,460</u>

Cash flows from investing activities:

Purchase of fixed assets	(8,295)
Purchase of securities	(2,827)
Proceeds from sale of securities	<u>2,827</u>
Net cash used in investing activities	<u>(8,295)</u>

Net increase in cash	2,165
Cash at beginning of year	<u>28,969</u>
Cash at end of year	<u>\$31,134</u>

Supplemental disclosure:

Cash paid during the year for income taxes	<u>\$2,526</u>
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See Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business activities

The Company is engaged primarily in the brokerage, investment advisory, and venture capital business in the State of Hawaii.

Time of recording securities transactions

Securities transactions and related commission revenue and expense are recorded on the trade date basis with settlement date generally set for the seventh day following the trade date.

Investments

The Company classifies its investments in marketable securities as available for sale. Securities with readily determinable fair values are carried at market value on the statement of financial position. Securities without readily determinable fair values are carried at cost on the financial statements. Unrealized gains and losses are included in the accompanying statement of income.

Property and Equipment

The Company follows the practice of capitalizing all expenses for property and equipment in excess of \$300. Depreciation is provided on the declining balance method over estimated useful lives ranging from 3 to 7 years.

Deferred Income Taxes

For income tax reporting, the Company uses accounting methods that recognize depreciation sooner than for financial statement reporting. As a result, the basis of property and equipment for financial reporting exceeds its tax basis by the cumulative amount that accelerated depreciation exceeds declining balance depreciation. Deferred income taxes have been recorded for the excess, which will be taxable in future periods through reduced depreciation deductions for tax purposes.

Use of Estimates

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

NOTE 2 - INVESTMENTS

Investments consist of corporate stock and mutual funds. At December 31, 2001, investment cost approximated fair value and totaled \$6,127.

WESPAC HAWAII SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued  
December 31, 2001

NOTE 3 - REQUIREMENT UNDER PROVISIONS OF SECURITIES EXCHANGE ACT OF 1934

The Company promptly transmits all funds and delivers all securities received in connection with its activities as a broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers. Accordingly, its net capital requirement is \$5,000 and it is exempt from Rule 17a-13 and Rule 15c3-3.

NOTE 4 - 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. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2001, the Company had net capital and net capital requirements of approximately \$31,711 and \$5,000, respectively. The net capital rules may effectively restrict the payment of cash dividends.

NOTE 5 - LEASE COMMITMENTS

The Company is currently leasing office space from Yee Hop Realty at 111 North King Street, Honolulu, Hawaii. The lease agreement is on a month-to-month basis and requires monthly rental payments of \$780. Rent expense amounted to \$9,421 for the year ended December 31, 2001.

NOTE 6 - INCOME TAXES

The provision for income taxes for fiscal year 2001 consists of the following:

Current payable	\$ 639
Deferred	<u>1,187</u>
	<u>\$1,826</u>

The income tax provision differs from the expense that would result from applying federal and state statutory rates to income before income taxes because certain expenses are not deductible for income tax purposes.

WESPAC HAWAII SECURITIES, INC.  
 SUPPLEMENTARY INFORMATION  
 December 31, 2001

COMPUTATION OF NET CAPITAL

Total ownership equity	\$40,707
Add:	
Allowable credits	<u>          -</u>
Total capital and allowable credits	<u>40,707</u>
Deduct:	
Non-allowable commissions receivable	-
Securities not readily marketable	3,300
Fixed assets	6,116
Non-allowable assets	<u>569</u>
Total capital and allowable subordinated liabilities	30,722
Other additions and/or allowable credits	
Non-allowable commissions payable	-
Commissions payable over 30 days	-
Deferred income taxes	<u>1,187</u>
Net capital before haircuts on securities positions	31,909
Haircuts on securities positions	
Investment securities	<u>198</u>
Net Capital	<u>\$31,711</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital required	<u>\$623</u>
Minimum dollar net capital requirement of broker-dealer	<u>\$5,000</u>
Net capital requirement	<u>\$5,000</u>
Excess net capital	<u>\$26,711</u>

WESPAC HAWAII SECURITIES, INC.  
SUPPLEMENTARY INFORMATION  
December 31, 2001

COMPUTATION OF AGGREGATE INDEBTEDNESS

Commissions payable	\$3,859
Accrued liabilities	4,847
Income taxes payable	<u>639</u>
Total aggregate indebtedness	<u>\$9,345</u>
Percentage of aggregate indebtedness to net capital	<u>29.47%</u>
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	<u>N/A</u>

EXEMPTIVE PROVISION UNDER RULE 15C3-3

Wespac Hawaii Securities, Inc. claims exemption from Rule 15c3-3 under Section (k) (1) - \$2,500 capital category as per Rule 15c3-3.

WESPAC HAWAII SECURITIES, INC.  
SUPPLEMENTARY INFORMATION  
December 31, 2001

RECONCILIATION OF COMPUTATION OF NET CAPITAL

Net Capital, per Form X-17A-5, Part IIA	\$30,745
Audit adjustments	<u>966</u>
Net capital, per audited financial statements	<u>\$31,711</u>