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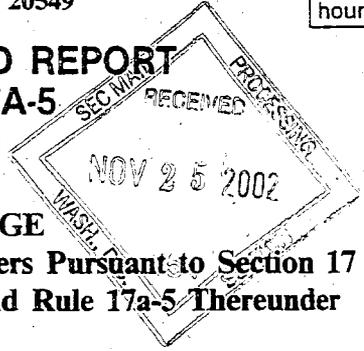


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SECURITIES AND COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response . . .	12.00

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



SEC FILE NUMBER
8- 7010

**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 October 1, 2001 AND ENDING September 30, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Charles Gordon Securities, Limited

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

1150 South King Street, Suite 601

(No. and Street)

Honolulu, Hawaii 96814

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

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

Kenneth N. Ono

(808) 591-8982

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Shimotsu & Fo

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

33 South King Street, Suite 511, Honolulu, Hawaii 96813-4325

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

DEC 03 2002

THOMSON 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).

OATH OR AFFIRMATION

I, Kenneth N. Ono, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Charles Gordon Securities, Limited, as of September 30, 19~~2001~~ 2002 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Kenneth N. Ono  
Signature  
President  
Title

Debra A. Harbottle  
Notary Public

DEBRA A. HARBOTTLE  
Notary Public, First Judicial Circuit  
State of Hawaii  
My Commission Expires: June 17, 2006

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 Proprietor's 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).



33 South King Street, Suite 511  
Honolulu, Hawaii 96813-4325  
Telephone (808) 536-1946  
Fax (808) 536-1949

Partners  
Randy T. Shimotsu  
Richard Fo

To the Board of Directors  
Charles Gordon Securities, Limited

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of Charles Gordon Securities, Limited (a wholly-owned subsidiary of Organized Capital Development Corporation) as of September 30, 2002 and 2001, and the related statements of income, changes in stockholder's equity, and cash flows for the years 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 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 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.

Management believes that the Company meets the exception requirements of Securities and Exchange Commission (SEC) Rule 15c3-3 and, therefore, considers this rule to be inapplicable for the years ended September 30, 2002 and 2001. The Company does not incur liabilities subordinated to claims of general creditors and, accordingly, has excluded a statement of changes in such liabilities for the years ended September 30, 2002 and 2001.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charles Gordon Securities, Limited as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years 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 accompanying computation of net capital under SEC Rule 15c3-1 (Schedule 1) and reconciliation of computation of net capital (Schedule 2) as of September 30, 2002, are presented for purposes of additional analysis and are 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 audits 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  
November 7, 2002

A handwritten signature in dark ink, appearing to read 'Shimotsu & FO', written over the printed name of the firm.  
**SHIMOTSU & FO**

**CHARLES GORDON SECURITIES, LIMITED**

Balance Sheets  
September 30, 2002 and 2001

	<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
Current Assets:			
Cash		\$ 66,118	\$ 64,114
Prepaid expenses		12,497	5,430
Commissions receivable		<u>2,373</u>	<u>3,509</u>
Total current assets		<u>\$ 80,988</u>	<u>\$ 73,053</u>
Other Asset:			
Deposit		<u>\$ 3,868</u>	<u>\$ 3,868</u>
		<u>\$ 84,856</u>	<u>\$ 76,921</u>
 <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>  			
Current Liabilities:			
Payable to parent company		\$ 1,736	\$ 2,284
Accrued taxes payable - other than income		17	104
Accrued commissions payable		--	441
Total current liabilities		<u>\$ 1,753</u>	<u>\$ 2,829</u>
Stockholder's Equity:			
Common stock - no par value, authorized, issued, and outstanding 1,000 shares		\$ 1,000	\$ 1,000
Retained earnings		<u>82,103</u>	<u>73,092</u>
		<u>\$ 83,103</u>	<u>\$ 74,092</u>
		<u>\$ 84,856</u>	<u>\$ 76,921</u>

See accompanying notes.

**CHARLES GORDON SECURITIES, LIMITED**  
Statements of Income  
Years Ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues:		
Commissions	\$ 49,192	\$ 52,422
Interest	563	2,343
	<u>\$ 49,755</u>	<u>\$ 54,765</u>
Operating Expenses:		
Management fees	\$ 11,500	\$ 16,575
Insurance	10,742	10,233
Commissions	5,996	4,583
Professional fees	4,500	4,500
Subscriptions and technical services	2,176	1,895
Taxes - other than income	1,990	2,193
Office	1,878	851
Licenses	226	1,887
Penalties	--	8
	<u>\$ 39,008</u>	<u>\$ 42,725</u>
Income Before Provision for Income Taxes	\$ 10,747	\$ 12,040
Less Provision for Income Taxes	<u>1,736</u>	<u>2,276</u>
Net Income	<u>\$ 9,011</u>	<u>\$ 9,764</u>
Earnings Per Share of Common Stock	<u>\$ 9.01</u>	<u>\$ 9.76</u>

See accompanying notes.

**CHARLES GORDON SECURITIES, LIMITED**  
**Statements of Changes in Stockholder's Equity**  
**Years Ended September 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
Common Stock at Beginning and End of Year	\$ <u>1,000</u>	\$ <u>1,000</u>
Retained Earnings at Beginning of Year	\$ 73,092	\$ 63,328
Net Income	<u>9,011</u>	<u>9,764</u>
Retained Earnings at End of Year	\$ <u>82,103</u>	\$ <u>73,092</u>
Stockholder's Equity at End of Year	<u>\$ 83,103</u>	<u>\$ 74,092</u>

See accompanying notes.

**CHARLES GORDON SECURITIES, LIMITED**

Statements of Cash Flows

Years Ended September 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash Flows from Operating Activities:		
Net income	\$ 9,011	\$ 9,764
Adjustments to reconcile income to net cash provided by operating activities:		
Decrease (increase) in:		
Commissions receivable	1,137	853
Prepaid expenses	(7,068)	3,998
Deposits	--	(3,868)
Increase (decrease) in:		
Income taxes payable	(548)	762
Accrued commissions payable	(441)	(705)
Accrued taxes payable - other than income	(87)	(62)
Net cash provided by operating activities	<u>\$ 2,004</u>	<u>\$ 10,742</u>
Cash at Beginning of Year	<u>64,114</u>	<u>53,372</u>
Cash at End of Year	<u>\$ 66,118</u>	<u>\$ 64,114</u>

Supplemental disclosure of cash flow information:

The Company paid income taxes of \$2,276 and \$1,522 during the years ended September 30, 2002 and 2001.

See accompanying notes.

**CHARLES GORDON SECURITIES, LIMITED**

Notes to Financial Statements

September 30, 2002 and 2001

Note 1. Summary of Significant Accounting Policies

Organization - Charles Gordon Securities, Limited was incorporated under the laws of the State of Hawaii on October 28, 1958, to engage in and carry on business as a securities dealer and broker.

Organized Capital Development Corporation (a Hawaii corporation engaged in the insurance agency business) acquired all of the common stock of Charles Gordon Securities, Limited in 1966 and, in addition, owns 87% of another subsidiary. The other subsidiary, Family Capital Control Corporation (also a Hawaii corporation), engages in the business of insurance counseling and financing.

Prepaid Expenses - Prepaid expenses consist of insurance premiums which are amortized on a straight-line basis over the terms of the policies and unexpired subscriptions.

Income Taxes - The accounts of the Company are consolidated with the accounts of its parent company and its other subsidiary for federal and state income tax reporting purposes. The allocation of current income taxes is determined by the ratio that each company's separate taxable income bears to the total consolidated taxable income. Deferred income taxes are computed if there are any differences in the Company's basis of assets or liabilities for financial and income tax reporting.

Earnings Per Share - Earnings per share of common stock is based on the weighted average number of common shares outstanding each year.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

Note 2. Payable to Parent Company

Amounts payable to parent company as of September 30, 2002 and 2001, were for the following:

	<u>2002</u>	<u>2001</u>
Estimated share of income taxes (see Note 1)	<u>\$ 1,736</u>	<u>\$ 2,284</u>

Management fees are paid to the parent company for services provided by the parent company's employees and office space. The fees, which are determined periodically by the parent company, totaled \$11,500 and \$16,575 for 2002 and 2001, respectively.

Note 3. Provision for Income Taxes

The consolidated tax expense for the years ended September 30, 2002 and 2001, were \$3,451 and \$8,187, respectively.

**SUPPLEMENTARY INFORMATION**

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER Charles Gordon Securities, Limited

as of September 30, 2002

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	83,103	3480
2. Deduct ownership equity not allowable for Net Capital	19 (		3490
3. Total ownership equity qualified for Net Capital		83,103	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	83,103	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes 8 and C)	17 \$	16,365	3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts and spot commodities- proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)		( 16,365 )	3620
8. Net capital before haircuts on securities positions	20 \$	66,738	3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities	18		3735
2. Debt securities			3733
3. Options			3730
4. Other securities			3734
D. Undue Concentration			3650
E. Other (List)			3736
10. Net Capital	\$	66,738	3740
			3750

OMIT PENNIES

**CHARLES GORDON SECURITIES, LIMITED**

**SCHEDULE 2**

Reconciliation of Computation of Net Capital on Initially Filed Form X-17A-5 Part IIA  
to the Accompanying Computation of Net Capital (Schedule 1)  
Year Ended September 30, 2002

Net Capital per Initially Filed Form X-17A-5 Part IIA		\$ 69,946
Audit adjustments affecting net income and net capital:		
Accrue additional commission income	\$ 2,373	
Accrue additional general excise tax	23	
Accrue income taxes	(1,736)	
Less understatement of nonallowable assets as originally reported	<u>(3,868)</u>	<u>(3,208)</u>
Net Capital per Schedule 1		<u>\$ 66,738</u>



33 South King Street, Suite 511  
Honolulu, Hawaii 96813-4325  
Telephone (808) 536-1946  
Fax (808) 536-1949

Partners  
Randy T. Shimotsu  
Richard Fo

Board of Directors  
Charles Gordon Securities, Limited

In planning and performing our audit of the financial statements and supplemental schedules of Charles Gordon Securities, Limited (a wholly-owned subsidiary of Organized Capital Development Corporation) for the year ended September 30, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. 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

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 or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 were adequate at September 30, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, 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.

Honolulu, Hawaii  
November 7, 2002



**SHIMOTSU & FO**

CHARLES GORDON SECURITIES, LIMITED  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended September 30, 2002 and 2001



SHIMOTSU & FO

Certified Public Accountants

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