

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

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

At 3/4/03

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 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

SFG Securities, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

110 East 31st. Street

(No. and Street)

New York

(City)

New York

(State)

10016

(Zip Code)

PROCESSED

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

Vasken H. Setrakian

212-683-0793

(Area Code - Telephone)

MAR 12 2003

**THOMSON
FINANCIAL**

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Anchin, Block & Anchin LLP

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

1375 Broadway

(Address)

New York

(City)

New York

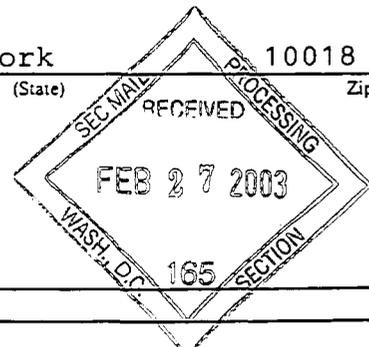
(State)

10018

(Zip Code)

CHECK ONE:

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



FOR OFFICIAL USE ONLY

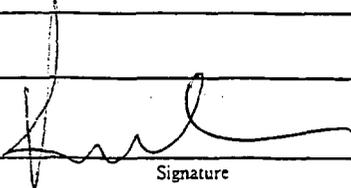
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

03-11

OATH OR AFFIRMATION

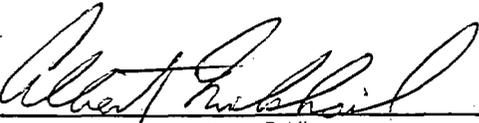
I, Vasken H. Setrakian, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SFG Securities, Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

 NONE


 Signature

 President

 Title



 Notary Public

Sworn to and subscribed
 before me this
24th day of FEB. 2003

ALBERT MIKHAIL
NOTARY PUBLIC OF NEW JERSEY
 Commission Expires 8/21/2007

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of ~~Income (Loss) Operations.~~
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows.
- (e) Statement of Changes in Stockholders' Equity ~~of XXXXX XXXX XXXX XXXX XXXX XXXX~~
- (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).

SFG SECURITIES, INC.

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FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2002**

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SFG SECURITIES, INC.

REPORT INDEX

DECEMBER 31, 2002

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Established 1923

Anchin, Block & Anchin LLP
Accountants and Consultants

1375 Broadway
New York, New York 10018
(212) 840-3456
FAX (212) 840-7066

INDEPENDENT AUDITORS' REPORT

TO THE STOCKHOLDER AND DIRECTOR OF SFG SECURITIES, INC.:

We have audited the accompanying statement of financial condition of SFG Securities, Inc. as of December 31, 2002 and the related statements of operations, changes in stockholder's equity 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 SFG Securities, Inc. at December 31, 2002 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.

Anchin Block & Anchin LLP
Anchin, Block & Anchin LLP

New York, New York
February 6, 2003

SFG SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

ASSETS

Cash	<u>\$ 9,121</u>
TOTAL ASSETS	<u><u>\$ 9,121</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:

Accrued expenses	\$ 150
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STOCKHOLDER'S EQUITY

Common stock - no par value:

Authorized - 1,500 shares

Issued and outstanding - 1 share

\$ 1

Additional paid-in-capital

22,999

Retained deficit

(14,029)

8,971

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$ 9,121</u></u>
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See the accompanying Notes to the Financial Statements.

SFG SECURITIES, INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2002

REVENUES		\$ -
EXPENSES:		
Regulatory fees and expenses	\$ 6,179	
Allocated expenses	3,000	
Bank charges	209	
Insurance	362	
Other	<u>450</u>	
Total Expenses		<u>10,200</u>
NET LOSS		<u><u>\$ (10,200)</u></u>

See the accompanying Notes to the Financial Statements.

SFG SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2002

	Common Stock - No Par Value (Authorized - 1,500 Shares)		Additional	Retained	Total
	<u>Issued and Outstanding</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Stockholder's</u>
	<u>Shares</u>		<u>Capital</u>		<u>Equity</u>
Stockholder's Equity, January 1, 2002	1	\$ 1	\$ 14,999	\$ (3,829)	\$ 11,171
Contribution of capital	-	-	8,000	-	8,000
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,200)</u>	<u>(10,200)</u>
Stockholder's Equity, December 31, 2002	<u>1</u>	<u>\$ 1</u>	<u>\$ 22,999</u>	<u>\$ (14,029)</u>	<u>\$ 8,971</u>

See the accompanying Notes to the Financial Statements.

SFG SECURITIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss			\$ (10,200)
Adjustments to reconcile net loss to net cash used in operating activities:			
Expenses charged by parent company treated as a capital contribution	\$	3,000	
Increase in accrued expenses		<u>150</u>	
Total adjustments			<u>3,150</u>
Net Cash Used in Operating Activities			(7,050)

CASH FLOWS FROM FINANCING ACTIVITIES:

Contribution of capital			<u>5,000</u>
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NET DECREASE IN CASH

(2,050)

CASH:

Beginning of year			<u>11,171</u>
End of year			<u><u>\$ 9,121</u></u>

See the accompanying Notes to the Financial Statements.

SFG SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

SFG Securities, Inc. (the "Company") was organized in Delaware on November 29, 2001. The Company is a wholly-owned subsidiary of Setrakian Financial Group LLC (the "Parent").

Principal Business Activity:

The Company is a registered broker with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers, Inc. (NASD). The Company intends to raise capital primarily for overseas private equity funds by targeting high net worth investors in the United States.

Financial Statement Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles may require 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 - CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS:

The Company is not required to maintain a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission under Section K(2)ii of the Rule.

NOTE 3 - NET CAPITAL REQUIREMENTS:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (8 to 1 in the first twelve months of operations).

At December 31, 2002, the Company had net capital of \$8,971, which was \$3,971 in excess of its required minimum net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.02 to 1.

SFG SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RELATED PARTY TRANSACTIONS:

The Company entered into an expense agreement with the Parent whereby the Parent would incur and pay on behalf of the Company primarily all of the overhead and administrative expenses. An amount of \$3,000 representing overhead and administrative expenses was allocated by the Parent and expensed by the Company. As the Parent will not request to be reimbursed, this amount has been credited to additional paid-in capital.

NOTE 5 - INCOME TAXES:

The Company is on cash basis for tax purposes. At December 31, 2002 the Company has an available operating loss carryforward of approximately \$14,000 for income tax purposes of which approximately \$4,000 expires in 2021 and \$10,000 expires in 2022. The tax benefit of loss carryforwards arising in 2002 was approximately \$4,700.

The net deferred tax asset of approximately \$6,600 has been fully offset by a valuation allowance.



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Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

ON

SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5
OF THE SECURITIES AND EXCHANGE COMMISSION

TO THE STOCKHOLDER AND DIRECTOR OF
SFG SECURITIES, INC.:

We have audited the accompanying financial statements of SFG Securities, Inc. as of and for the year ended December 31, 2002 and have issued our report thereon dated February 6, 2003. 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 accompanying schedule 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 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.

Anchin Block + Anchin LLP

Anchin, Block & Anchin LLP

New York, New York
February 6, 2003

SFG SECURITIES, INC.

COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM NET CAPITAL
RULE 15c3-1 AND RECONCILIATION OF THE COMPUTATION OF NET CAPITAL
PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1 INCLUDED IN THE
COMPANY'S CORRESPONDING UNAUDITED FORM X-17A-5 PART IIA FILING
WITH COMPUTATION INCLUDED IN THE REPORT PURSUANT TO RULE 17a-5(d)

AS OF DECEMBER 31, 2002

TOTAL STOCKHOLDER'S EQUITY QUALIFIED FOR NET CAPITAL	\$ 8,971
NONALLOWABLE ASSETS	<u>-</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	8,971
HAIRCUTS ON SECURITIES	<u>-</u>
NET CAPITAL	8,971
MINIMUM NET CAPITAL REQUIREMENT OF 6 2/3% OF AGGREGATE INDEBTEDNESS OF \$150 OR \$5,000 WHICHEVER IS GREATER	<u>5,000</u>
EXCESS NET CAPITAL	<u>\$ 3,971</u>
RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART II OF FORM X-17A-5 AS OF DECEMBER 31, 2002)	
NET CAPITAL, AS REPORTED IN COMPANY'S PART II UNAUDITED FOCUS REPORT	\$ 8,971
DIFFERENCE DUE TO AUDIT ADJUSTMENTS	<u>-</u>
NET CAPITAL, PER REPORT PURSUANT TO RULE 17a-5(d)	<u>\$ 8,971</u>
TOTAL AGGREGATE INDEBTEDNESS	<u>\$ 150</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>0.02 to 1</u>

See Independent Auditors' Report on Supplementary Information.

SFG SECURITIES, INC.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL**

FOR THE YEAR ENDED DECEMBER 31, 2002



Established 1923

Anchin, Block & Anchin LLP
Accountants and Consultants

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FAX (212) 840-7066

INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL BY
SEC RULE 17a-5

BOARD OF DIRECTORS
SFG SECURITIES, INC.:

In planning and performing our audit of the financial statements and supplemental schedule of SFG Securities, Inc. (the "Company") for the year ended December 31, 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 the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "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 (or aggregate debits) 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 any internal control or the practices and procedures referred to above, errors 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 the 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 the 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 and 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 December 31, 2002 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of SFG Securities, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of Board of Directors, management, the SEC, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and 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.

Anchin, Block & Anchin LLP

New York, New York
February 6, 2003