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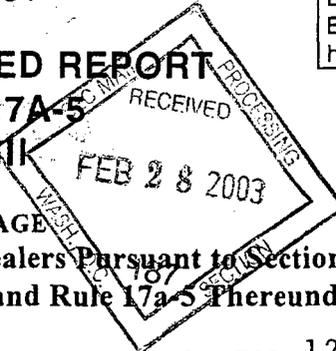
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OMB APPROVAL	
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



SEC FILE NUMBER
8- 52793

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 1/1/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Online Capital Securities, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
99 Pine Street 5th Floor

OFFICIAL USE ONLY
FIRM I.D. NO.

Albany (City) Albany (No. and Street) New York (State) 12207 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Brian E. Shea (518) 449-5131
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Piaker & Lyons

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

572 South Salina Street (Address) Syracuse (City) NY (State) 13202 (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 13 2003

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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)

OATH OR AFFIRMATION

I, David L. Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Online Capital Securities, Inc., as of December 31, 20 02, 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

Vice President
Title


Notary Public

CAROLYN GRACEY
Notary Public, State of New York
No. 01GR8037985
Qualified in Rensselaer County
Commission Expires March 6, 2008

CAROLYN GRACEY
Notary Public, State of New York
No. 01GR8037985
Qualified in Rensselaer County
Commission Expires March 6, 2008

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).



**REPORT OF INTERNAL CONTROL STRUCTURE REQUIRED BY
SEC. RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION
FROM SEC. RULE 15c3-3.**

Online Capital Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Online Capital Securities, Inc. (the "Company") for the year ended December 31, 2002, we considered its internal control structure, including procedures 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 structure.

Also, as required by Rule 17a-5(g)(1) of the Securities 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 (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; and
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.

Online Capital Securities, Inc.
January 31, 2003

Page Two

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 an internal control structure and the practices and procedures are to provide management with reasonable, by not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use of disposition and 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(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 control environment, accounting systems, control procedures, or procedures for safeguarding securities and their operation 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 December 31, 2002 to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, the New York State Exchange, 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 should not be used for any other purpose.


PIAKER & LYONS

Syracuse, New York
January 31, 2003

ONLINE CAPITAL SECURITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2002

CONTENTS

ONLINE CAPITAL SECURITIES, INC. FINANCIAL STATEMENTS DECEMBER 31, 2002

	PAGE
<u>FINANCIAL STATEMENTS</u>	
INDEPENDENT AUDITORS' REPORT.....	3
STATEMENTS OF FINANCIAL CONDITION	
Exhibit A.....	4
STATEMENTS OF OPERATIONS	
Exhibit B.....	5
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	
Exhibit C.....	6
STATEMENTS OF CASH FLOWS	
Exhibit D.....	7
NOTES TO FINANCIAL STATEMENTS.....	8
<u>SUPPLEMENTAL INFORMATION</u>	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION.....	9
COMPUTATIONS OF AGGREGATE INDEBTEDNESS AND NET CAPITAL UNDER RULE 15c3-1.....	10
RECONCILIATIONS OF NET CAPITAL TO FORM X-17a-5.....	11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Online Capital Securities, Inc.

We have audited the accompanying statement of financial condition of Online Capital 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. 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. The financial statements of Online Capital Securities, Inc. as of December 31, 2001, were audited by other auditors whose report dated February 22, 2002, expressed an unqualified opinion on those statements.

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 Online Capital Securities, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

PIAKER & LYONS

Syracuse, New York
January 31, 2003

ONLINE CAPITAL SECURITIES, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2002 AND 2001

ASSETS

	<u>2002</u>	<u>2001</u>
Cash	\$ <u>6,256</u>	\$ <u>6,113</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES	\$ <u>-</u>	\$ <u>-</u>
 STOCKHOLDER'S EQUITY		
Common Stock - .01 Par Value – 25,000 Shares Authorized, 1,000 Shares Issued and Outstanding	10	10
Additional Paid-In Capital	45,490	45,490
Accumulated Deficit	(<u>39,244</u>)	(<u>39,387</u>)
TOTAL STOCKHOLDER'S EQUITY	<u>6,256</u>	<u>6,113</u>
 TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	 \$ <u>6,256</u>	 \$ <u>6,113</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT B**ONLINE CAPITAL SECURITIES, INC.****STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
REVENUES	\$ <u>2,289</u>	\$ <u>-</u>
EXPENSES		
Administrative Expenses	2,146	350
Filing Fees	-	3,850
Management Fees	<u>-</u>	<u>35,000</u>
TOTAL EXPENSES	<u>2,146</u>	<u>39,200</u>
NET INCOME (LOSS)	\$ <u><u>143</u></u>	\$(<u><u>39,200</u></u>)

The Notes to Financial Statements are an integral part of this statement.

ONLINE CAPITAL SECURITIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN-CAPITAL</u>	<u>ACCUMULATED DEFICIT</u>	<u>TOTAL</u>
Balances – January 1, 2001	\$ 10	\$ 45,490	\$ (187)	\$ 45,313
Net Loss – 2001	<u>-</u>	<u>-</u>	<u>(39,200)</u>	<u>(39,200)</u>
Balances – December 31, 2001	10	45,490	(39,387)	6,113
Net Income – 2002	<u>-</u>	<u>-</u>	<u>143</u>	<u>143</u>
Balances – December 31, 2002	\$ <u>10</u>	\$ <u>45,490</u>	\$ <u>(39,244)</u>	\$ <u>6,256</u>

The Notes to Financial Statements are an integral part of this statement.

ONLINE CAPITAL SECURITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

	<u>2002</u>	<u>2001</u>
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ <u>143</u>	\$(<u>39,200</u>)
Net Increase (Decrease) in Cash and Cash Equivalents	143	(39,200)
Cash – Beginning of Year	<u>6,113</u>	<u>45,313</u>
Cash – End of Year	\$ <u><u>6,256</u></u>	\$ <u><u>6,113</u></u>

The Notes to Financial Statements are an integral part of this statement.

ONLINE CAPITAL SECURITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Operations and Concentration of Credit Risk – On June 1, 2000, Online Capital Securities, Inc. (the “Company”) was organized under the laws of the State of Delaware. The Company intends to provide investment banking services as an introducing broker. The Company is registered with the Securities and Exchange Commission (“SEC”) and as a member of the National Association of Securities Dealers, Inc. (“NASD”) is registered in various states.

The Company operates under the provisions of Paragraph (k)(1) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(1) provide that the Company’s transactions are generally limited to the sale and redemption of redeemable securities of registered investment companies and the Company transmits all funds and securities and does not hold funds or securities.

Accounting Method – The Company’s financial statements are prepared using the accrual basis as specified in the AICPA’s Audit and Accounting Guide – “Audits of Brokers and Dealers in Securities.” Transactions in securities are recorded on a trade date basis for financial statement and tax purposes.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management’s knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Income Taxes – The Company has federal and state net operating losses of \$39,244 which begin to expire in 2020. The Company’s deferred income tax benefit related to said net operating losses at December 31, 2002 of approximately \$6,000, is offset by a valuation allowance of \$6,000.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 – 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 level of net capital of \$5,000 as defined under such provisions. Additionally, the Company is required to maintain a net capital ratio (a ratio of aggregate indebtedness of net capital) of not more than 8 to 1. The Company had net capital of \$6,256 and \$6,113 as of December 31, 2002 and 2001, respectively. The Company has no aggregate indebtedness at December 31, 2002 and 2001.

ONLINE CAPITAL SECURITIES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 3 – RELATED PARTY TRANSACTIONS

The parent of the Company provides management and certain administrative services to the Company. Expenses related to this arrangement for the year ended December 31, 2001 totaled \$35,000.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Online Capital Securities, Inc.

We have audited the accompanying financial statements of **ONLINE CAPITAL SECURITIES, INC.** as of and for the year ended December 31, 2002, and have issued our report thereon dated January 31, 2003. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in the contents of this report 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 of the Securities and 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.


PIAKER & LYONS

Syracuse, New York
January 31, 2003

ONLINE CAPITAL SECURITIES, INC.

**COMPUTATIONS OF AGGREGATE INDEBTEDNESS
AND NET CAPITAL UNDER RULE 15c3-1
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
TOTAL AGGREGATE INDEBTEDNESS	\$ <u>-</u>	\$ <u>-</u>
NET CAPITAL		
Total Stockholder's Equity	6,256	6,113
REQUIRED NET CAPITAL	<u>5,000</u>	<u>5,000</u>
CAPITAL IN EXCESS OF REQUIREMENT	\$ <u>1,256</u>	\$ <u>1,113</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>0 to 1</u>	<u>0 to 1</u>

See Independent Auditors' Report on Supplemental Information

ONLINE CAPITAL SECURITIES, INC.

RECONCILIATIONS OF NET CAPITAL TO FORM X-17a-5
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
NET CAPITAL REPORTED ON DECEMBER FORM X-17a-5	\$ 6,256	\$ 6,113
ADJUSTMENTS ARISING FROM AUDIT ADJUSTMENTS WHICH AFFECT NET CAPITAL – FORM X-17a-5:	<u>-</u>	<u>-</u>
NET CAPITAL AS ADJUSTED	\$ <u>6,256</u>	\$ <u>6,113</u>

See Independent Auditors' Report on Supplemental Information