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

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

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

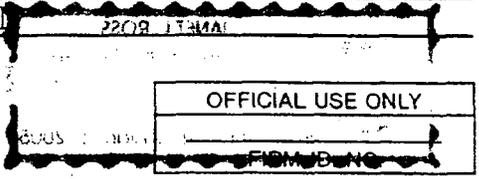
REPORT FOR THE PERIOD BEGINNING 07/01/02 AND ENDING 06/30/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

BROOKSTREET SECURITIES CORPORATION

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2361 Campus Drive, Suite 210



(No. and Street)  
Irvine CA 92612  
(City) (State) (Zip Code)

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

Stanley C. Brooks

949/852-6800  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

LaVine & Associates CPAs, Inc.

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

26691 Plaza Drive, Suite 222 Mission Viejo, CA 92691  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED  
SEP 10 2003

FOR OFFICIAL USE ONLY THOMSON FINANCIAL

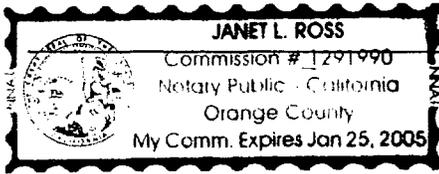
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

YK

OATH OR AFFIRMATION

I, Stanley C. Brooks, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brookstreet Securities Corporation, as of June 30, 2003, 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:



[Handwritten Signature]
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. Cash Flows.
(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).

**BROOKSTREET SECURITIES CORPORATION**

Financial Statements

June 30, 2003 and 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - JUNE 30, 2003

BROOKSTREET SECURITIES CORPORATION

2361 CAMPUS DRIVE, SUITE 210  
IRVINE, CALIFORNIA 92612

MR. STANLEY C. BROOKS, PRESIDENT  
BROOKSTREET SECURITIES CORPORATION  
2361 CAMPUS DRIVE, SUITE 210  
IRVINE, CALIFORNIA 92612

# BROOKSTREET SECURITIES CORPORATION

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Directors  
Brookstreet Securities Corporation  
Irvine, California

We have audited the accompanying balance sheets of Brookstreet Securities Corporation as of June 30, 2003 and 2002, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years 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 audits.

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 audits 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 audits provide 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 Brookstreet Securities Corporation as of June 30, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III 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 Commission. 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.

*LaVine & Associates CPAs, INC.*

Mission Viejo, California  
August 23, 2003

**BROOKSTREET SECURITIES CORPORATION**

Balance Sheets

June 30,

ASSETS

	<u>2003</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 358,931	\$ 238,008
Accounts receivable – Note 2	2,108,701	1,172,375
Deposits - Note 3	289,773	149,650
Marketable securities - Note 1	5,484,110	3,357,416
Prepaid expenses and other assets	<u>69,148</u>	<u>225,209</u>
<b>        TOTAL CURRENT ASSETS</b>	<b>8,310,663</b>	<b>5,142,658</b>
Fixed Assets - at cost - net of accumulated depreciation of \$228,387 and \$160,078 in 2003 and 2002 - Notes 1 and 4	203,152	160,177
Due from stockholder - Note 5	2,046,833	1,920,333
Deferred tax asset - Note 7	125,000	110,000
Other assets	<u>5,500</u>	<u>5,500</u>
<b>        TOTAL ASSETS</b>	<b><u>\$10,691,148</u></b>	<b><u>\$7,338,668</u></b>

LIABILITIES AND STOCKHOLDERS' EQUITY

<b>CURRENT LIABILITIES</b>		
Commissions payable - Note 2	\$ 2,450,526	\$1,400,178
Accounts payable and accrued expenses	1,490,343	989,757
Note payable - bank - Note 6	500,000	-
Income taxes payable - Note 7	<u>578,475</u>	<u>123,600</u>
<b>        TOTAL CURRENT LIABILITIES</b>	<b><u>5,019,344</u></b>	<b><u>2,513,535</u></b>
<b>COMMITMENTS AND CONTINGENCIES - Note 9</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock - no par, 10,000,000 shares authorized, 2,608,685 shares issued and outstanding	20,000	20,000
Additional paid-in capital	110,525	110,525
Retained earnings	<u>5,541,279</u>	<u>4,694,608</u>
<b>        TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>5,671,804</u></b>	<b><u>4,825,133</u></b>
<b>        TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$10,691,148</u></b>	<b><u>\$7,338,668</u></b>

# BROOKSTREET SECURITIES CORPORATION

## Statements of Income

For The Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUES - Note 1		
Commission income	\$45,814,761	\$38,650,818
Clearance and execution fees recovered	2,734,374	2,688,439
Interest and dividend income	320,825	270,279
Other income	<u>3,963,333</u>	<u>4,468,858</u>
TOTAL REVENUES	<u>52,833,293</u>	<u>46,078,394</u>
EXPENSES		
Commission expense	37,335,469	32,913,499
Salaries and payroll taxes	4,349,174	3,810,625
Interest	98,396	77,100
Other operating expenses	<u>9,652,319</u>	<u>8,995,361</u>
TOTAL EXPENSES	<u>51,435,358</u>	<u>45,796,585</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>1,397,935</u>	<u>281,809</u>
PROVISION FOR INCOME TAXES - Note 7		
Current	574,475	121,241
Deferred	<u>(23,211)</u>	<u>10,000</u>
TOTAL PROVISION FOR INCOME TAXES	<u>551,264</u>	<u>131,241</u>
NET INCOME	<u>\$ 846,671</u>	<u>\$ 150,568</u>

## BROOKSTREET SECURITIES CORPORATION

### Statements of Changes in Stockholders' Equity

For The Years Ended June 30, 2003 and 2002

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance - June 30, 2001	\$20,000	\$110,525	\$4,544,040	\$4,674,565
Net income	<u>-</u>	<u>-</u>	<u>150,568</u>	<u>150,568</u>
Balance - June 30, 2002	\$20,000	\$110,525	\$4,694,608	\$4,825,133
Net income	<u>-</u>	<u>-</u>	<u>846,671</u>	<u>846,671</u>
Balance - June 30, 2003	<u>\$20,000</u>	<u>\$110,525</u>	<u>\$5,541,279</u>	<u>\$5,671,804</u>

**BROOKSTREET SECURITIES CORPORATION**

Statements of Cash Flows  
For The Years Ended June 30,

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 846,671	\$ 150,568
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	68,309	74,127
Changes in assets and liabilities:		
Increase in accounts receivable	(936,326)	(207,316)
Increase in marketable securities	(2,126,694)	(564,984)
Increase in due from stockholder	(126,500)	(202,000)
Decrease in prepaid expenses and other assets	156,061	128,595
Increase in deposits	(140,123)	-
Increase in accounts payable and accrued expenses	500,586	582,350
Increase in commissions payable	1,050,348	450,196
Increase in income taxes payable	454,875	74,353
(Increase) decrease in deferred taxes	<u>(15,000)</u>	<u>10,000</u>
Net cash (consumed) provided by operating activities	<u>(267,793)</u>	<u>495,889</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(111,284)</u>	<u>(98,029)</u>
Net cash consumed by investing activities	<u>(111,284)</u>	<u>(98,029)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds (payments) from bank line of credit	<u>500,000</u>	<u>(411,392)</u>
Net cash provided (consumed) by financing activities	<u>500,000</u>	<u>(411,392)</u>
Net increase (decrease) in cash	120,923	(13,532)
CASH BALANCE - beginning	<u>238,008</u>	<u>251,540</u>
CASH BALANCE - ending	<u><u>\$ 358,931</u></u>	<u><u>\$ 238,008</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 98,396</u>	<u>\$ 77,100</u>
Income taxes paid	<u>\$ 104,506</u>	<u>\$ 47,640</u>

**BROOKSTREET SECURITIES CORPORATION**

Statements of Changes in Liabilities  
Subordinated To Claims of General Creditors

For the Years Ended June 30, 2003 and 2002

Not applicable.

## **BROOKSTREET SECURITIES CORPORATION**

Notes to Financial Statements  
For The Years Ended June 30, 2003 and 2002

### **THE COMPANY**

Brookstreet Securities Corporation (a California corporation), "the Company", is a registered securities broker/dealer. The Company sells financial products, primarily mutual funds, securities and insurance, through independent registered representatives.

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and practices of the Company are as follows:

Accounting method - the Company uses the accrual method of accounting for financial statement reporting and for income tax preparation.

Recognition of sales and income - securities transactions are recorded on a settlement basis. The marketable securities are valued at market and the difference between cost and market is included in the statement of operations. The securities are classified as trading securities.

Furniture and fixtures - fixed assets are stated at cost. Repairs and maintenance expenditures, which do not extend the useful life of the assets owned, are expensed as incurred. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets.

Income taxes - a provision has been made for the estimated amount of income taxes which are payable currently and in the future. (See Note 7)

Concentration of risks - the Company maintains its cash accounts in financial institutions guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2003 and 2002, the cash balances exceeded the FDIC limit.

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.

Comprehensive income - Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, (SFAS 130), requires that total comprehensive income be reported in the financial statements. Comprehensive income is the same as net income as reported in the Statements of Income for the years ended June 30, 2003 and 2002.

**NOTE 2 - ACCOUNTS RECEIVABLE/COMMISSIONS PAYABLE**

Accounts receivable consists primarily of commissions due the Company from the sale of securities, principally mutual funds and government securities.

The commissions payable represents amounts due to the Company's sales representatives in connection with the sale of securities.

**NOTE 3 - DEPOSITS**

Deposits as of June 30, 2003 and 2002, consist of the following:

	<u>2003</u>	<u>2002</u>
National Financial Services Corporation (NFSC)	\$ 50,000	\$ 50,000
National Security Clearing Corporation (NSCC)	40,109	-
Cantor Fitzgerald	<u>199,664</u>	<u>99,650</u>
	<u>\$289,773</u>	<u>\$149,650</u>

NFSC and NSCC are the Company's clearinghouses. The deposit with Cantor Fitzgerald relates to the Company's bond trading.

**NOTE 4 - FIXED ASSETS**

Fixed assets are stated at cost and as of June 30, 2003 and 2002, consist of the following:

	<u>2003</u>	<u>2002</u>
Computers, office equipment and software	\$ 211,074	\$ 168,960
Office furniture and fixtures	<u>220,465</u>	<u>151,295</u>
	431,539	320,255
Less accumulated depreciation	<u>(228,387)</u>	<u>(160,078)</u>
Net fixed assets	<u>\$ 203,152</u>	<u>\$ 160,177</u>

Depreciation expense for the years ended June 30, 2003 and 2002, was \$68,309 and \$74,127, respectively.

**NOTE 5 - DUE FROM STOCKHOLDER**

The Company entered into formal promissory note agreements with a stockholder. The promissory notes have an interest rate of 6.5% per annum. The collective balances owed as of June 30, 2003 and 2002, were \$2,046,833 and \$1,920,333, respectively.

**NOTE 6 - NOTE PAYABLE - BANK**

The Company obtained a \$500,000 revolving line of credit from its bank with interest charged at prime plus ¼% per annum. As of June 30, 2003, \$500,000 was outstanding on the line. The maturity date on the line of credit is November 14, 2004.

**NOTE 7 - PROVISION FOR INCOME TAXES**

The Company provides for income taxes under Financial Accounting Standard 109 (FAS 109), which uses an asset and liability approach in recognizing timing differences. This approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities. As of June 30, 2003 and 2002, the deferred tax asset was \$125,000 and \$110,000, respectively. The deferred tax asset arises mainly from a legal reserve temporary timing difference that will be deductible in future periods for tax purposes, depreciation differences and the future benefit of the state income tax deduction.

The provision for income taxes at June 30, 2003 and June 30, 2002, consists of the following:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<b><u>2003</u></b>			
Federal	\$ 450,340	\$ (20,125)	\$ 430,215
State	<u>124,135</u>	<u>(3,086)</u>	<u>121,049</u>
	<u>\$ 574,475</u>	<u>\$ (23,211)</u>	<u>\$ 551,264</u>
<b><u>2002</u></b>			
Federal	\$ 93,805	\$ 8,000	\$ 101,805
State	<u>27,436</u>	<u>2,000</u>	<u>29,436</u>
	<u>\$ 121,241</u>	<u>\$ 10,000</u>	<u>\$ 131,241</u>

**NOTE 8 - NET CAPITAL REQUIREMENT**

As of June 30, 2003 and 2002, the Company had met its net capital requirement pursuant to SEC Rule 15c-1. As of these dates, the Company had net capital in the amount of \$2,530,299 and \$1,787,969, respectively, which was \$2,280,299 and \$1,537,969 in excess of its required net capital of \$250,000.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Company leases its office space in Irvine under an operating lease which was renewed in May 2002 for an additional five year term. The monthly rental expense for all suites currently totals \$36,471. The Company also began leasing office space in New York. The base lease is \$5,300 a month for a six month term ending September 2003. Rent expense for the years ended June 30, 2003 and 2002, is \$445,048 and \$341,272, respectively.

The Company also leases equipment under an operating lease which expires in 2005.

The minimum future lease payments under the non-cancelable operating leases as of June 30, 2003, through the remainder of the lease terms, are as follows:

For year ended June 30, 2004	\$476,016
2005	\$452,936
2006	\$440,268
2007	\$437,652
2008	\$437,625

The Company is also subject to various claims and lawsuits which arose primarily in the ordinary course of business.

The Company intends to vigorously defend all actions and, based on its present understanding of the law and the facts, believes it has meritorious defenses to the alleged claims; however, the ultimate outcome of the lawsuits cannot presently be determined.

**NOTE 10 - SOFTWARE DEVELOPMENT AND LICENSE AGREEMENT**

The Company had an agreement with Plaid Brothers Software, Inc. (Plaid) in which Plaid would provide programs to assist brokers in tracking their clients, schedules, appointments and portfolios, as well as produce performance reports and graphs. For the years ended June 30, 2003 and 2002, respectively, the Company paid \$46,332 and \$133,079 in connection with this agreement. This agreement was terminated as of June 30, 2003.

**NOTE 11 - EMPLOYEE BENEFIT PLAN**

During the year ended June 30, 2002, the Company adopted a 401(k) and Profit Sharing Plan. Employer contributions were \$161,963 and \$140,788 for the years ended June 30, 2003 and 2002, respectively.

**BROOKSTREET SECURITIES CORPORATION**

Computations of Net Capital Pursuant to Rule 15c3-1

June 30,

	<u>2003</u>	<u>2002</u>
<b>COMPUTATION OF NET CAPITAL</b>		
Total ownership equity:		
Stockholders' equity (from balance sheet)	\$5,671,804	\$4,825,133
Deductions:		
Receivables	(2,560,483)	(1,920,333)
Prepaid expenses and other assets	(74,648)	(225,209)
Marketable securities haircut	(178,222)	(621,445)
Fixed assets	(203,152)	(160,177)
Deferred tax asset	<u>(125,000)</u>	<u>(110,000)</u>
	<u>(3,141,505)</u>	<u>(3,037,164)</u>
Net Capital	<u>\$2,530,299</u>	<u>\$1,787,969</u>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS</b>		
Net Capital from above	\$2,530,299	\$1,787,969
Minimum Net Capital requirement	<u>250,000</u>	<u>250,000</u>
Excess Net Capital	<u>\$2,280,299</u>	<u>\$1,537,969</u>
<b>COMPUTATION OF AGGREGATE INDEBTEDNESS</b>		
Total aggregate indebtedness (from balance sheet)	<u>\$5,019,344</u>	<u>\$2,513,535</u>
Ratio of aggregate indebtedness to Net Capital	<u>1.98 to 1</u>	<u>1.40 to 1</u>
<b>RECONCILIATION</b>		
The following is a reconciliation, as of June 30, 2003 and 2002, of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 17a-5(d)(4):		
Net Capital - Company's computation	\$2,617,234	\$2,185,817
Reconciling items:		
Net audit adjustments	<u>(86,935)</u>	<u>(397,848)</u>
Net Capital	<u>\$2,530,299</u>	<u>\$1,787,969</u>

**BROOKSTREET SECURITIES CORPORATION**

Computation for Determination of Reserve Requirements  
Pursuant to Rule 15c3-3

June 30, 2003 and 2002

The respondent claims an exemption from Rule 15c3-3 under Section (K)(2)(A).

**BROOKSTREET SECURITIES CORPORATION**

Information Relating to the Possession or Control  
Requirements Under Rule 15c3-3

June 30, 2003 and 2002

Not applicable.



**Independent Auditor's Report On Internal  
Control Structure Required  
By SEC Rule 17a-5**

Board of Directors  
Brookstreet Securities Corporation  
Irvine, California

In planning and performing our audits of the financial statements and supplemental schedules of Brookstreet Securities Corporation (the Company), for the years ended June 30, 2003, 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 consolidated financial statements and not to provide assurance on the internal control structure.

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 (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 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 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 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 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 internal control structure, including procedures for safeguarding securities, which 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 June 30, 2003 and 2002, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

*La Vio & Associates CPAs, INC.*

Mission Viejo, California  
August 23, 2003