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

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, 2002 AND ENDING September 30, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Equibond, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

100 Wilshire Blvd. Suite 1700

(No. and Street)

Santa Monica

California

90401

(City)

(State)

(Zip Code)

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

Jay Lustig

(310) 260-6000

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kevin G. Breard, CPA An Accountancy Corporation

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

9010 Corbin Avenue, Suite 7

Northridge

California

91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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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).

SEC 1410 (3-91)

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OATH OR AFFIRMATION

I, Jay Lustig, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equibond, Inc., as of September 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:

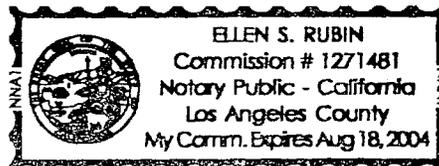
State of California
County of Los Angeles
Subscribed and sworn (or affirmed) to before me this 1st day of October, 2003

Ellen S. Rubin

Notary Public

Jay Lustig
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~~ 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).



Equibond, Inc.
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended September 30, 2003

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

Board of Directors
Equibond, Inc.

I have audited the accompanying statement of financial condition of Equibond, Inc. as of September 30, 2003, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equibond, Inc. as of September 30, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.


Kevin G. Breard
Certified Public Accountant

Northridge, California
November 3, 2003

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9010 CORBIN AVENUE, SUITE 7
NORTHRIDGE, CALIFORNIA 91324
(818) 886-0940 • FAX (818) 886-1924
BreardCPA@aol.com

Equibond, Inc.
Statement of Financial Condition
September 30, 2003

ASSETS

Cash and cash equivalents	\$ 45,163
Receivable from clearing firm	232,552
Marketable securities, at market	112,071
Prepaid income taxes	14,724
Furniture, equipment, and leasehold improvements (net of \$259,950 accumulated depreciation)	52,158
Deposits	67,598
Deferred tax assets	67,025
Other assets	<u>600</u>
Total assets	<u>\$ 591,891</u>

LIABILITIES & STOCKHOLDER'S EQUITY

Liabilities

Commissions and accounts payable	\$ 29,041
Salaries and bonuses payable	6,948
Deferred taxes payable	<u>3,729</u>
Total liabilities	39,718

Stockholder's equity

Common stock, no par value, authorized 100,000 shares, issued and outstanding 5,000 shares	50,000
Additional paid-in capital	617,000
Accumulated depreciation	<u>(114,827)</u>
Total stockholder's equity	<u>552,173</u>
Total liabilities & stockholder's equity	<u>\$ 591,891</u>

The accompanying notes are an integral part of these financial statements.

Equibond, Inc.
Statement of Operations
For the year ended September 30, 2003

Revenues	
Commissions	\$ 141,949
Net inventory and investment gains	1,633,457
Interest and dividends	16,659
Other income	<u>5,880</u>
Total revenues	1,797,945
 Expenses	
Employee compensation and benefits	845,260
Commissions and floor brokerage	596,455
Communications and quotations	114,436
Occupancy and equipment rental	251,449
Interest	14,567
Taxes, other than income taxes	43,616
Other operating expenses	<u>172,150</u>
Total expenses	2,037,933
 Loss before income taxes	 (239,988)
 Income taxes	
Income taxes provision, including deferred tax benefit of (\$72,360)	<u>(71,560)</u>
Total income tax provision	(71,560)
 Net income (loss)	 <u><u>\$ (168,428)</u></u>

The accompanying notes are an integral part of these financial statements.

Equibond, Inc.
Statement of Changes in Stockholder's Equity
For the year ended September 30, 2003

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings Accumulated Deficit</u>	<u>Total</u>
Balance, at September 30, 2002	\$ 50,000	\$ 617,000	\$ 53,601	\$ 720,601
Net (loss) income	<u>—</u>	<u>—</u>	<u>(168,428)</u>	<u>(168,428)</u>
Balance, at September 30, 2003	<u>\$ 50,000</u>	<u>\$ 617,000</u>	<u>\$(114,827)</u>	<u>\$ 552,173</u>

The accompanying notes are an integral part of these financial statements.

Equibond, Inc.
Statement of Cash Flows
For the year ended September 30, 2003

Cash flow from operating activities		
Net (loss) income		\$ (168,428)
Adjustments to reconcile net income (loss) to net cash and cash equivalents used in operating activities:		
Depreciation	\$ 43,907	
(Increase) decrease in:		
Receivable from clearing firm	(232,552)	
Marketable securities, at market	4,872	
Income tax receivable	858	
Deferred income tax benefits	(67,025)	
(Decrease) increase in:		
Commissions payable and accounts payable	6,308	
Payable to clearing broker	(238)	
Salaries payable	1,656	
Deferred income taxes	(4,746)	
Income taxes payable	<u>(217)</u>	
Total adjustments		<u>(247,177)</u>
Net cash and cash equivalents used in operating activities		<u>(415,605)</u>
Cash flows from investing activities		
Purchase of furniture and equipment	<u>(16,237)</u>	
Net cash and cash equivalents used in investing activities		(16,237)
Cash flows from financing activities		
Collection of loans made to related party	<u>30,000</u>	
Net cash provided by financing activities		<u>30,000</u>
Net increase (decrease) in cash and cash equivalents		(401,842)
Cash and cash equivalents at the beginning of the year		<u>447,005</u>
Cash and cash equivalents at the end of the year		<u><u>\$ 45,163</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period ended September 30, 2003		
Income taxes	\$ 800	
Interest	\$ 14,567	

The accompanying notes are an integral part of these financial statements.

Equibond, Inc.
Notes to Financial Statements
September 30, 2003

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Equibond, Inc. (the "Company") was incorporated in the State of California in September 1994. In April, 1995, the Company became registered as a broker dealer in securities with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD).

The Company trades on a fully disclosed basis whereby the execution and clearance of trades are handled by an outside clearing firm.

The Company trades equities and fixed income products executed on an exchange or over the counter. The firm does not hold customer funds and/or securities. The Company has over 200 clients, with 50% of the clientele located primarily in southern California, 40% in Pennsylvania and 10% throughout the United States. Approximately 15% of the clients account for 30-50% of the commission income.

Summary of significant accounting policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions are recorded on a settlement date basis. Marketable securities are valued at month end market value. The resulting difference between cost and market value is included in net inventory and investment gains. Investments, not readily marketable are valued at cost.

The Company uses the straight line method of depreciation over the estimated useful lives, ranging from three (3) to ten (10) years.

Deferred income taxes are provided under the Statement of Financial Accounting Standards No. 109. This standard provides a balance sheet approach to income tax accounting. The principal difference between the financial reporting and tax basis of the assets and liabilities is the rapid depreciation write off of the fixed assets for taxes, and the carryforward of net operating losses to offset future income.

Rent expenses for the year ending September 30, 2003 were \$238,950.

Equibond, Inc.
Notes to Financial Statements
September 30, 2003

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company considers all investments that are purchased with a maturity of three months or less to be cash equivalents.

Advertising costs are expensed as incurred.

Note 2: MARKETABLE SECURITIES, AT MARKET

The Company purchases marketable securities for long-term investments and trading. The Company considers its marketable securities as trading marketable securities, as defined by FASB 115, *Accounting For Certain Investments in Debt and Equity Securities*. Accordingly unrealized gains (losses) on investments are included in the profit and loss statement.

The market values consisted of the following at quoted market values:

Stocks	\$ 2,415
Obligation of U.S. Government	<u>109,656</u>
Total	<u>\$ 112,071</u>

The gross unrealized holding loss of \$4,872 is included in net inventory and investment gains.

Note 3: PROPERTY AND EQUIPMENT, NET

Property is stated at cost and summarized by major classification as follows:

Furniture and office equipment	\$ 312,108
Less: Accumulated depreciation	<u>(259,950)</u>
Net	<u>\$ 52,158</u>

Depreciation expense for the year was \$43,907.

Equibond, Inc.
Notes to Financial Statements
September 30, 2003

Note 4: INCOME TAXES

The components of the provision for income taxes are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
States tax expense (benefit)	\$ 800	\$ (36,388)	\$ (35,588)
Federal tax expense (benefit)	—	(35,972)	(35,972)
Total tax benefit	<u>\$ 800</u>	<u>\$ (72,360)</u>	<u>\$ (71,560)</u>

The Company has available at September 30, 2003, certain federal and state Net Operating Losses (NOL's), which be carried forward to offset future taxable income. The federal NOL's expire in 20 years and the state NOL's expire in three (3) to five (5) years. The federal NOL's produce a deferred tax asset of approximately \$32,679 and the state NOL's produce a deferred tax asset of approximately \$34,346.

Note 5: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. Net capital and aggregate indebtedness change day to day, but on September 30, 2003, the Company had net capital of \$348,500, which was \$248,500 in excess of its required net capital of \$100,000; and the Company's ratio of aggregate indebtedness (\$35,989) to net capital was 0.10 to 1, which is less than the 15 to 1 maximum ratio allowed.

Equibond, Inc.
Schedule I-Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of September 30, 2003

Computation of Net Capital

Stockholder's equity

Common stock	\$ 50,000	
Additional paid-in capital	617,000	
Accumulated deficit	<u>(114,827)</u>	
Total stockholder's equity		\$ 552,173

Additions to net capital

Deferred income taxes payable	<u>3,729</u>	
Total additions		<u>3,729</u>

Total stockholder's equity and allowable additions 555,902

Deductions to net capital

Non allowable assets

Property and equipment, net	(52,158)	
Deposits	(67,598)	
Prepaid income taxes	(14,724)	
Deferred income tax assets	(67,025)	
Other assets	<u>(600)</u>	
Total non-allowable assets		<u>(202,105)</u>

Total net capital before haircuts 353,797

Haircuts on securities

Haircut on marketable securities	<u>(5,297)</u>	
Total haircuts		<u>(5,297)</u>

Net capital 348,500

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 2,399	
Minimum dollar net capital required	\$ 100,000	
Net capital required (greater of above)		<u>(100,000)</u>

Excess net capital \$ 248,500

Ratio of aggregate indebtedness to net capital 0.10: 1

There was a \$1 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated September 30, 2003 due to rounding.

See independent auditor's report.

Equibond, Inc.
Schedule II-Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of September 30, 2003

A computation of reserve requirement is not applicable to Equibond, Inc., as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Equibond, Inc.
Schedule III-Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of September 30, 2003

Information relating to possession or control requirements is not applicable to Equibond, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Equibond, Inc.

Supplementary Accountant's Report

On Internal Accounting Control

Report Pursuant to 17a-5

For the Year Ended September 30, 2003

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Board of Directors
Equibond, Inc.

In planning and performing my audit of the financial statements of Equibond, Inc. (the Company) for the year ended September 30, 2003, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing my 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 and Exchange Commission, I have made a study of the practices and procedures followed by Equibond, Inc. including tests of such practices and procedures that I considered relevant to 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 security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the 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 structure and the practice and procedures referred to in the preceding paragraph in fulfilling this responsibility, estimates and judgements 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 proceeding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission'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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

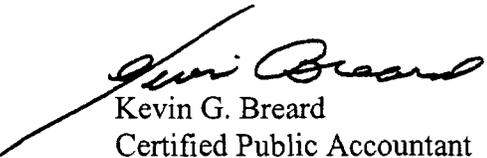
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NORTHRIDGE, CALIFORNIA 91324
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B r e a r d C P A @ a o l . c o m

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 they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the 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 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose 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 material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at September 30, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Kevin G. Breard
Certified Public Accountant

Northridge, California
November 3, 2003