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Washington, D.C. 20549

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

SEC FILE NUMBER
8-51509

**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 January 1, 2003 AND ENDING December 31, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
FIXED INCOME SECURITIES, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
18925 BASE CAMP ROAD, SUITE 203
(No. and Street)
MONUMENT, CO 80132
(City) (State) (Zip Code)

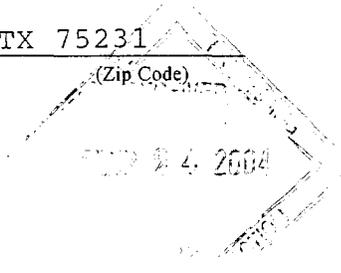
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FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Scott Colyer, President 719-488-9956
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
HATFIELD & HATFIELD, INC., PC
(Name - if individual, state last, first, middle name)
7424 Greenville Avenue, Suite 100 Dallas, TX 75231
(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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*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)

AW

OATH OR AFFIRMATION

I, SCOTT COLYER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FIXED INCOME SECURITIES, LLC, as of DECEMBER 31, 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 of Scott Colyer

Signature

President

Title

Handwritten signature of Barbara H. Dixon

Notary Public

Barbara H. Dixon, Notary Public
State of Colorado
My Commission Expires 8/8/2007

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).

FIXED INCOME SECURITIES, LLC

Report Pursuant to Rule 17a-5(d)

DECEMBER 31, 2003

HATFIELD & HATFIELD, INC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

DALLAS
Vickery Park Office Building
7424 Greenville Avenue, #100
Dallas, Texas 75231-4507
214-361-2443

FORT WORTH
717 Gateway Plaza
2723 Avenue E. East
Arlington, Texas 76011
Metro817-695-1040

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Fixed Income Securities, LLC

We have audited the accompanying statement of financial condition of Fixed Income Securities, LLC, as of December 31, 2003, and the related statements of income, changes in member's equity, changes in liabilities subordinated to claims of general creditors, 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 the 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 from 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 Fixed Income Securities, LLC, as of December 31, 2003, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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 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.



HATFIELD & HATFIELD, INC., PC
Dallas, Texas
January 30, 2004

FIXED INCOME SECURITIES, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2003

ASSETS

Cash		\$ 75,827
Due from Brokers and Dealers		
Clearing Account	\$ 100,774	
Other Accounts Receivable	54,867	
Clearing Company Account Receivable	<u>5,187,053</u>	5,342,694
Other Accounts Receivable		15,315
Prepaid Expenses		148,097
Investments		
Debt Securities	18,361,396	
Other Securities	<u>11,012</u>	18,372,408
Furniture and Equipment		
(net of Accumulated Depreciation \$242,678)		897,230
Deposits		<u>34,452</u>
Total Assets		<u>\$24,886,023</u>

LIABILITIES AND MEMBER'S EQUITY

Accounts Payable and Accrued Expenses		\$ 1,609,985
Due to Brokers and Dealers		
Debt Securities/Trading Account		13,036,500
Commitments and contingent liabilities		see notes
Liabilities Subordinated to Claims of General Creditors		<u>none</u>
Total Liabilities		14,646,485
Member's Equity		
Member's Units	\$ 1,000	
Additional Paid-in Capital	1,910,027	
Retained Earnings	<u>8,328,511</u>	<u>10,239,538</u>
Total Liabilities and Member's Equity		<u>\$24,886,023</u>

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

FIXED INCOME SECURITIES, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Member's Units</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>
Balance at 1/01/03	\$ 1,000	\$ 1,910,027	\$ 3,781,731
Additions	none	none	none
Net Income	<u> </u>	<u> </u>	<u>4,546,780</u>
Balance 12/31/03	<u>\$ 1,000</u>	<u>\$ 1,910,027</u>	<u>\$ 8,328,511</u>

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

FIXED INCOME SECURITIES, LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES

Commissions and Fees	\$ 33,347,322
Interest & Dividend Income	423,720
Realized Gain on Sale of Securities	53,987
Unrealized Gain <Loss> on Securities	385,918
Other Trading Income	<u>71,626</u>
	\$ 34,282,573

EXPENSES

Leased Employee Costs	15,749,059
Management Fees	8,203,000
Clearance	1,426,749
Occupancy	407,575
Depreciation	133,274
Other Operating Expenses	<u>3,816,136</u>
	<u>29,735,793</u>
Income Before Taxes	4,546,780
Income Taxes-Current	<u>See Note D</u>
Net Income <Loss>	<u>\$ 4,546,780</u>

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

FIXED INCOME SECURITIES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

Cash flows from operating activities:

Net income <Loss>	\$ 4,546,780
Depreciation	133,274
Increase in due from brokers and dealers	< 3,383,659>
Increase in other accounts receivable	< 11,720>
Increase in prepaid expenses	< 6,067>
Increase in deposits	< 23,215>
Increase in investments	< 5,374,338>
Increase in accounts payable and accrued expenses	742,046
Increase in due to broker/dealers	<u>3,647,678</u>
Cash flows from operations	270,779
Cash flows from investing activities: acquisition of fixed equipment - net	<u>< 351,349></u>
Cash flows from investing activities	<u>< 351,349></u>
Net cash flows	< 80,570>
Beginning cash balance January 1, 2003	<u>156,397</u>
Ending cash balance December 31, 2003	<u>\$ 75,827</u>

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

FIXED INCOME SECURITIES, LLC
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF CREDITORS
FOR THE YEAR ENDED DECEMBER 31, 2003

Balance January 1, 2003	\$ none
Changes during 2003	<u>none</u>
Balance December 31, 2003	<u>\$ none</u>

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

SCHEDULE I
 FIXED INCOME SECURITIES, LLC
 STATEMENT OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
 DECEMBER 31, 2003

Total ownership equity from the statement of financial condition		\$10,239,538
Deduct ownership equity not allowable for net capital		<u>none</u>
Total ownership equity qualified for net capital		10,239,537
Add:		
1. Liabilities subordinated to claims of general creditors allowable in computation of net capital		none
2. Other allowable credits		<u>none</u>
Total capital and allowable subordinated liabilities		10,239,538
Deductions and/or charges		
1. Total non-allowable assets from statement of financial condition	\$1,149,961	
2. Current note deficiency	none	
3. Commodity futures, contracts and spot commodities, proprietary capital changes	none	
4. Other deductions and/or changes	<u>none</u>	<u><1,149,961></u>
Subtotal		9,089,577
Other Additions and/or allowable credits (lists)		
Haircuts on securities (computed where applicable) pursuant to 15-c-3-1		
1. Contractual securities commitment	\$ none	
2. Subordinated securities borrowings	none	
3. Trading and investments securities:		
a. Exempted securities	none	
b. Debt securities	1,268,440	
c. Options	none	
d. Other securities	1,652	
4. Undue concentrations	none	
5. Other	<u>none</u>	<u><1,270,002></u>
 <i>NET CAPITAL</i>		 <u>\$ 7,819,485</u>

SCHEDULE I (continued)
 FIXED INCOME SECURITIES, LLC
 RECONCILIATION OF THE STATEMENT COMPUTATION
 OF NET CAPITAL AND THE COMPUTATION OF RESERVE
 REQUIREMENTS AND THE BROKER-DEALER'S
 CORRESPONDING UNAUDITED PART II OR
 PART IIA, FORM X-17A-5
 DECEMBER 31, 2003

	<u>RECONCILIATION WITH COMPANY'S COMPUTATION</u>	<u>COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS</u>
Per audit report at 12/31/03	\$ 7,819,485	\$ 100,000
Reported by broker-dealer on Part IIA, form X-17A-5	<u>7,819,483</u>	<u>100,000(2)</u>
difference	<u>\$ 2(1)</u>	<u>\$ None</u>
(1) rounding	<u>\$ 2</u>	EXCESS NET CAPITAL <u>\$ 7,719,485</u>
		EXCESS NET CAPITAL AT 1000% <u>\$ 6,254,835</u>
(2) Minimum dollar Net Capital requirement		RATIO: Aggregate indebtedness to net capital <u>53.389%</u>

SCHEDULE II
 FIXED INCOME SECURITIES, LLC
 COMPUTATION OF RESERVE REQUIREMENT
 UNDER RULE 15c-3-3
 DECEMBER 31, 2003

	<u>Credits</u>	<u>Debits</u>
1. Free credit balance and other credit balances in customers' security accounts.	\$ none	\$ none
2. Monies borrowed, collateralized by securities carried for the account of customers.	none	none
3. Monies payable against customers' securities loaned.	none	none
4. Customers' securities failed to receive credit balances in firm accounts which are attributable to principal sales to customers.	none	none
5. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days.	none	none
6. Market value of short security count difference over 30 calendar days old.	none	none
7. Market value of short securities and credits (not to be offset by longs or by debts) in all suspense accounts over 30 calendar days.	none	none
8. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.	none	none
9. Debit balance in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection.	none	none
10. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver.	none	none
11. Failed to deliver to customers' securities no older than 30 calendar days.	none	none
12. Margin required and on deposit with the Options Clearing Corporation for all options contracts written or purchased in contract accounts.	<u>none</u>	<u>none</u>
Total	<u>\$ none</u>	<u>\$ none</u>
Excess of total credits over total debits required to be on deposit in the "Reserve Bank Account".		<u>\$ none</u>

FIXED INCOME SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

Note A Organization and nature of business:

Fixed Income Securities, LLC, a Limited Liability Company organized in the State of Texas, effective December 8, 1998. The Company's statutory life is perpetual. The Company is a broker-dealer in securities registered with the Securities and Exchange Commission under (S.E.C.) Rule 15c3-3(K)(2)(ii) which provides that all the funds and securities belonging to the company's customers would be handled by a correspondent broker-dealer. The Company's main office is located in Monument, Colorado with additional sales offices in San Antonio, Texas; Melville, New York; Cardiff by the Sea, California; and San Diego, California. The company services customers throughout the United States. The Company's main source of revenue is derived from providing financial institutions and individuals with fixed income securities.

The Company changed its operating entity form, effective January 1, 2004, from a limited liability company into a limited partnership.

Note B Clearing:

The Company has a \$100,000 clearing deposit with Pershing, LLC, under a "Fully Disclosed Clearing Agreement" dated June 6, 2003.

The Company does not carry customer accounts receivable and does not, as a practice, handle the securities of its customers.

Note C Contingencies and commitments:

Commitments:

The Company currently leases its premises and equipment under non-cancelable operating leases. The minimum lease payments for the next five years are as follows:

2004	\$421,838
2005	411,292
2006	267,398
2007	114,693
2008	58,173

Contingencies - the Company is a party to various claims and complaints arising in the ordinary course of operations. In the opinion of management, all such claims are without merit, and an unfavorable disposition would not have a material effect on the financial position of the Company. Further, the Company anticipates no losses due to environmental issues or hazardous employee working conditions.

Note D Significant accounting policies:

Income is recorded when services are completed and expenses are recorded when they are incurred. The Company is on the *accrual method* of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosures 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.

For the purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. The statement of cash flows was prepared using the *indirect method*.

Depreciation-Fixed assets are recorded at cost and depreciated over a five to seven year estimated life on the *straight-line method*.

Federal Income Taxes-The company is a Texas Limited Liability Company. Federal income taxes are paid at the individual member's level. No tax is due at the company level. The company is combined with Sterling Resources, Inc., for federal tax reporting purposes. Sterling Resources, Inc., is a Sub Chapter S Corporation; therefore, taxes on the company are paid at the level of the shareholders of Sterling Resources, Inc.

Note E Related Party Transactions:

The company paid \$8,203,000, to Sterling Resources, Inc., during 2003, in the form of management fees. These fees represent a decrease in "allowable net capital". If such fees were handled as member distributions, the net effect on "allowable net capital" would be the same. Management has designated such payments as operating expenses, necessary to the operations of the company.

Note E Member's Equity:

The company has 1000 shares of *membership units* outstanding at December 31, 2003. The company is wholly owned by Sterling Resources, Inc., a Sub Chapter S Corporation organized under the laws of the State of Colorado.

Note F Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c-3-1), 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2003, the company had net capital of \$7,819,485, which was \$7,719,485, in excess of its required net capital of \$100,000.

FIXED INCOME SECURITIES, LLC

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

DECEMBER 31, 2003

HATFIELD & HATFIELD, INC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

DALLAS
Vickery Park Office Building
7424 Greenville Avenue, #100
Dallas, Texas 75231-4507
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2723 Avenue E. East
Arlington, Texas 76011
Metro 817-695-1040

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

The Board of Directors
Fixed Income Securities, LLC

In planning and performing our audit of the financial statements of Fixed Income Securities, LLC, for the year ended December 31, 2003, 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 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 way for 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 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 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

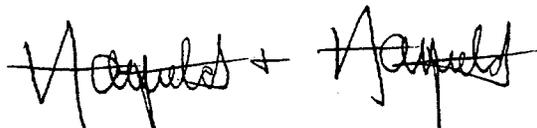
authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control 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 the internal control 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 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 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, 2003, 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 which 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.

Handwritten signature of Hatfield & Hatfield, Inc., PC, consisting of two stylized signatures joined by a plus sign.

HATFIELD & HATFIELD, INC., PC

Dallas, Texas

January 30, 2004