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\*Add 2/10/2004

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00



04002177

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

SEC FILE NUMBER  
8- 51832

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 December 1, 2002 AND ENDING November 30, 2003  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Investment Security Corporation

OFFICIAL USE ONLY  
FIRM ID. NO.

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

23945 Calabasas Road Suite 113 C

(No. and Street)

Calabasas

California

91302

(City)

(State)

(Zip Code)

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

Richard A. Leach

(818) 225-1210

(Area Code - Telephone)

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.

PROCESSED

FEB 17 2004

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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

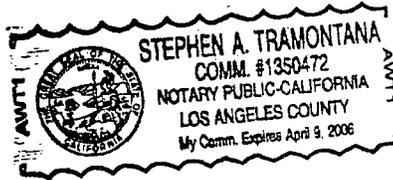
I, Richard A. Leach, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investment Security Corporation, as of November 30, 2003 are true and correct. I further swear (or affirm) that neither the company 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 21 day of February, 2004

By: [Signature]
Signature
President
Title

[Signature]
Notary Public

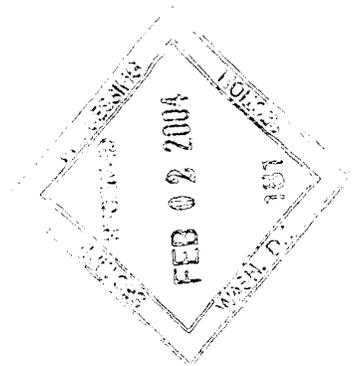


This report\*\* contains (check all applicable boxes):

- (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).

**Investment Security Corporation**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended November 30, 2003**



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

Independent Auditor's Report

Board of Directors  
Investment Security Corporation

I have audited the accompanying statement of financial condition of Investment Security Corporation as of November 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 Investment Security Corporation as of November 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  
December 23, 2003

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

**Investment Security Corporation  
Statement of Financial Condition  
November 30, 2003**

**Assets**

Cash and cash equivalents	\$ 21,504
Accounts receivable	12,955
Deferred tax assets	<u>2,022</u>
<b>Total assets</b>	<b><u>\$ 36,481</u></b>

**Liabilities and Stockholder's Equity**

**Liabilities**

Accounts payable	\$ 3,910
Deferred income	4,583
Commissions payable	12,330
Income taxes payable	<u>997</u>
<b>Total liabilities</b>	<b>21,820</b>

**Stockholder's equity**

Common stock, no par value, 100,000 shares authorized, 100 shares issued and outstanding	1,000
Additional paid-in capital	10,000
Retained earnings	<u>3,661</u>
<b>Total stockholder's equity</b>	<b><u>14,661</u></b>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 36,481</u></b>

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

**Investment Security Corporation**  
**Statement of Operations**  
**For the year ended November 30, 2003**

**Revenue**

Commission income	\$ 776,503
Fees income	47,028
Interest and dividends	130
Other	<u>300</u>
<b>Total revenue</b>	<b>823,961</b>

**Expenses**

Commissions and floor brokerage	728,014
Communications	649
Occupancy and equipment rental	3,920
Interest	199
Taxes, other than income taxes	338
Other operating expenses	<u>104,729</u>
<b>Total expenses</b>	<b><u>837,849</u></b>

**Income (loss) before income tax provision** (13,888)

**Income tax provision**

Income tax provision, including deferred tax benefit of \$(2,680) (1,356)

**Total income tax provision** (1,356)

**Net income (loss)** \$ (12,532)

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

**Investment Security Corporation**  
**Statement of Changes of Stockholder's Equity**  
**For the year ended November 30, 2003**

	<u>Common Stock</u>	<u>Additional Paid - in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, November 30, 2002	\$ 1,000	\$ 10,000	\$ 16,193	\$ 27,193
Net income (loss)	<u>—</u>	<u>—</u>	<u>(12,532)</u>	<u>(12,532)</u>
Balance, November 30, 2003	<u>\$ 1,000</u>	<u>\$ 10,000</u>	<u>\$ 3,661</u>	<u>\$ 14,661</u>

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

**Investment Security Corporation**  
**Statement of Changes in Cash Flows**  
**For the year ended November 30, 2003**

**Cash flows from operating activities:**

Net income (loss)		\$ (12,532)
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	\$ 9,045	
Prepaid expenses	11,953	
Deferred tax asset	(1,783)	
(Decrease) increase in:		
Accounts payable	1,715	
Income tax payable	572	
Commissions payable	(5,670)	
Deferred income	1,000	
Deferred income taxes payable	<u>(778)</u>	
Total adjustments		<u>16,054</u>
Net cash and cash equivalents provided by operating activities		3,522

**Cash flows from investing activities:**

-

**Cash flows from financing activities:**

-

Net increase in cash and cash equivalents		3,522
Cash and cash equivalents at beginning of year		<u>17,982</u>
Cash and cash equivalents at end of year		<u><u>\$ 21,504</u></u>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for		
Income taxes	\$	900
Interest	\$	199

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

**Investment Security Corporation**  
**Notes to Financial Statements**  
**November 30, 2003**

**Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Investment Security Corporation (the "Company") was incorporated, in California, on January 21, 1999, as a registered broker-dealer under the Securities Exchange Act of 1934. The Company received operating approval from the National Association of Securities Dealers (NASD) on November 29, 1999. The Company operates on a fully-disclosed basis whereby it does not hold customer accounts or securities. The Company is a member of the National Association of Securities Dealers (NASD).

The Company's principal business is to serve in the capacity as the broker dealer for the offering and selling of mutual funds and variable insurance products at the retail level.

*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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents consists of bank accounts and money market accounts.

Current income taxes are provided for estimated taxes payable or refundable based on tax returns filed on the cash basis of accounting. Deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences in the basis of assets and liabilities for financial and tax reporting purposes. Measurement of current and deferred tax assets and liabilities is based on provisions of enacted federal and state tax laws.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for income taxes", which requires the establishment of a deferred tax asset or liability for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

Commissions and fee income are recognized when earned, with related commission expenses accrued concurrently.

**Investment Security Corporation**  
**Notes to Financial Statements**  
**November 30, 2003**

**Note 2: INCOME TAXES**

The income tax provision consists of the following:

Federal taxes	\$ 524
State taxes	<u>800</u>
Current tax provision	1,324
Federal deferred taxes (benefits)	(1,670)
State deferred taxes (benefits)	<u>(1,010)</u>
Deferred tax provision	<u>(2,680)</u>
Total income tax expenses (benefits)	<u>\$ (1,356)</u>

The deferred income asset arises at a result of temporary differences in the capitalization of start-up expenses and organization costs for income tax purposes in the amount of \$3,990. A deferred tax asset of \$120 represents the unamortized portion of this difference.

Additional deferred income tax assets are recognized for the estimated future tax effects attributable to temporary differences in the basis of assets and liabilities for financial and tax reporting purposes.

**Note 3: RELATED PARTY TRANSACTIONS**

For the year ended November 30, 2003, the Company paid an accounting firm controlled by its Financial Operations (FINOP) officer \$13,431, included in other operating expenses, for financial statement and tax preparation, and FINOP services. The Company also paid a legal firm controlled by its president \$55,359 for compliance and legal services.

**Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS**

In January 2003, the FASB issued Interpretation 46, *Consolidation of Variable Interest Entities*. In general, a variable interest entity is a corporation, partnership, trust, or any legal structure used for business purposes that either (a) does not have interest entity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to transactions entered into prior to February 1, 2003 in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of the Interpretation on July 1, 2003 did not have a material impact on the Company's financial statements.

**Investment Security Corporation**  
**Notes to Financial Statements**  
**November 30, 2003**

**Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

In April 2003, the FASB issued SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The Statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

In May 2003, The FASB issued SFAS 150, *Accounting for Certain Financial Instruments with Characteristic of both Liabilities and Equity*. The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer clarify a financial instrument that is within its scope as a liability (or an asset in some circumstances). It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

**Note 5: NET CAPITAL REQUIREMENTS**

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both 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 November 30, 2003, the Company's net capital of \$12,335 exceeded the minimum net capital requirement by \$7,335; and the Company's ratio of aggregate indebtedness (\$21,820) to net capital was 1.77 to 1, which is less than the 15 to 1 maximum ratio allowed.

**Investment Security Corporation**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of November 30, 2003**

**Computation of net capital:**

Stockholder's equity

Common stock	\$	1,000	
Additional paid-in capital		10,000	
Retained earnings		<u>3,661</u>	
Total stockholder's equity			\$ 14,661
Add: Deferred income taxes payable		-	
Less: Non allowable assets			
Deferred tax asset		<u>(2,022)</u>	
Total adjustments			<u>(2,022)</u>
Net capital before haircuts			12,639
Less: Haircuts			
Money Market		<u>(304)</u>	
Total Haircuts			<u>(304)</u>
<b>Net Capital</b>			<b>12,335</b>

**Computation of net capital requirements:**

Minimum net capital requirements			
6 2/3 percent of aggregate indebtedness	\$	1,455	
Minimum dollar net capital required		<u>5,000</u>	
Net capital required, greater of above			<u>5,000</u>
Excess net capital			<u>\$ 7,335</u>

Ratio of aggregate indebtedness to net capital 1.77:1

There was no material difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated November 30, 2003.

*See independent auditor's report.*

**Investment Security Corporation**  
**Schedule II - Computation for Determination of Reserve Requirements**  
**Pursuant to Rule 15c3-3**  
**As of November 30, 2003**

A computation of reserve requirements is not applicable to Investment Security Corporation as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

*See independent auditor's report.*

**Investment Security Corporation**  
**Schedule III - Information Relating to Possession or Control Requirements**  
**Under Rule 15c3-3**  
**As of November 30, 2003**

Information relating to possession or control requirements is not applicable to Investment Security Corporation as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

*See independent auditor's report.*

**Investment Security Corporation**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**for the Year Ended November 30, 2003**

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

Board of Directors  
Investment Security Corporation

In planning and performing my audit of the financial statements of Investment Security Corporation (the Company), for the year ended November 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 Investment Security Corporation 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.

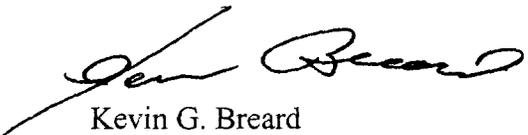
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Kevin G. Breard, C.P.A. @ kgbcpa.com

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 November 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  
December 23, 2003