

SECURITIES

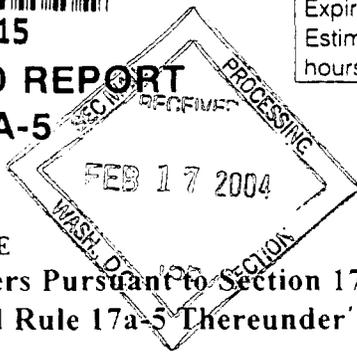


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**ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III**



SEC FILE NUMBER  
 8-38904

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 1/1/2003 AND ENDING 12/31/2003  
MM/DD/YY MM/DD/YY

**A REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BROWN INVESTMENTS, INC.  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
FOUR HOWES LANE

OFFICIAL USE ONLY  
 FIRM   NO

(No. and Street)  
PLYMOUTH, MASSACHUSETTS 02360-2431  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Thomas J. Brown (508) 746-6165  
(Area Code - Telephone Number)

**B ACCOUNTANT IDENTIFICATION**

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

Kenneth A. Najarian, PC Certified Public Accountant  
(Name - if individual, state last, first, middle name)

78 Hancock Street, Braintree Massachusetts 02184  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**PROCESSED**  
 MAR 09 2004

**FOR OFFICIAL USE ONLY** THOMSON FINANCIAL

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

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OATH OR AFFIRMATION

I, Thomas J. Brown, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brown Investments, Inc., 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:

Thomas Brown  
Signature 2-6-04

President  
Title

Phyllis M. Brown  
Notary Public

My Commission Expires: July 31, 2009

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 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~~ broker/dealer's\*
  - (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
- [X] Independent Auditor's Report on Internal Accounting Controls.  
\*corresponding Unaudited Part IIA

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240 17a-5(e)(3)

**BROWN INVESTMENTS, INC.**  
**NASD FIRM #17501/SEC FILE #8-38904**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2003 AND 2002**

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**BROWN INVESTMENTS, INC.**

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Independent Auditors Report

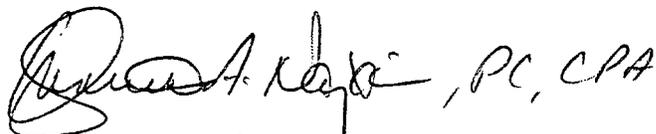
Board of Directors  
Brown Investments, Inc.  
Four Howes Lane  
Plymouth, Massachusetts 02360

I have audited the accompanying statements of financial condition of Brown Investments, Inc. as of December 31, 2003 and 2002, and the related statements of income (loss), retained earnings (deficit), and cash flows for the years 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 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 the 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 Brown Investments, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The computation of net capital and comparison with Form X-17A-5 is presented for the purpose of additional analysis in accordance with Section 17 of the Securities and Exchange Act of 1934 and Rule 17a-5 there under, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Kenneth A. Najarian, PC, CPA  
January 28, 2004

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**BROWN INVESTMENTS, INC.  
STATEMENTS OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003 AND 2002**

**ASSETS**

	<u>2003</u>	<u>2002</u>
Current Assets		
Cash	\$ 10,900	\$ 10,042
Accounts Receivable-Commissions	<u>51</u>	<u>46</u>
Total Current Assets	<u>10,951</u>	<u>10,088</u>
 PROPERTY & EQUIPMENT		
Office Equipment	658	658
Less Accumulated Depreciation	<u>658</u>	<u>543</u>
Net Property and Equipment	<u>0</u>	<u>115</u>
 TOTAL ASSETS	 <u><u>\$ 10,951</u></u>	 <u><u>\$ 10,203</u></u>

See Accountant's Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.  
STATEMENTS OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003 AND 2002**

**LIABILITIES AND STOCKHOLDERS EQUITY**

	<u>2003</u>	<u>2002</u>
<b>CURRENT LIABILITIES</b>		
Corporate Income Taxes Payable	\$ 456	\$ 456
Accrued Expenses	<u>143</u>	<u>108</u>
Total Current Liabilities	<u>\$ 599</u>	<u>\$ 564</u>
<b>STOCKHOLDERS EQUITY</b>		
Common Stock, No Par Value.		
Authorized-1000 Shares		
Issued and Outstanding-1000 Shares	1,000	1,000
Additional Paid-In Capital	62,000	60,000
Retained Earnings	<u>(52,648)</u>	<u>(51,361)</u>
Total Stockholder's Equity	<u>10,352</u>	<u>9,639</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u><u>\$ 10,951</u></u>	<u><u>\$ 10,203</u></u>

See Accountants Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.**  
**STATEMENTS OF INCOME (LOSS) AND CHANGES IN ACCUMULATED DEFICIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>INCOME</b>		
Commission Income	\$ 4,911	\$ 1,657
Total Income	<u>\$ 4,911</u>	<u>1,657</u>
<b>EXPENSE</b>		
Regulatory Fees and Expenses	2,017	1,922
Commissions Paid	405	685
Telephone	701	732
Professional Fees	2,000	1,750
Office Supplies and Expenses	438	435
Depreciation	115	132
Bank Service Charges	<u>108</u>	<u>108</u>
Total Expenses	<u>5,784</u>	<u>5,764</u>
NET INCOME (LOSS) FROM OPERATIONS	(873)	(4,107)
<b>OTHER INCOME</b>		
Interest Income	42	74
Provision for Massachusetts Corporate Taxes	<u>(456)</u>	<u>(456)</u>
NET INCOME (LOSS)	\$ (1,287)	\$ (4,489)
ACCUMULATED DEFICIT-BEGINNING OF YEAR	<u>\$ (51,361)</u>	<u>\$ (46,872)</u>
ACCUMULATED DEFICIT-END OF YEAR	<u>\$ (52,648)</u>	<u>\$ (51,361)</u>

See Accountant's Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Commissions Received	\$ 4,906	\$ 1,952
Interest Received	<u>42</u>	<u>74</u>
Cash Provided by Operating Activities	<u>4,948</u>	<u>2,026</u>
Cash Commissions Paid	(410)	(703)
Cash Expenses Paid	(5,139)	(4,862)
Taxes and Fees Paid	<u>(541)</u>	<u>(541)</u>
Cash Disbursed for operating Activities	6,090	6,106
NET CASH USED IN OPERATING ACTIVITIES	1,142	4,080
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional Paid-In Capital	<u>2,000</u>	<u>5,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,000</u>	<u>5,000</u>
NET INCREASE IN CASH	858	920
CASH AT BEGINNING OF YEAR	<u>10,042</u>	<u>9,122</u>
CASH AT END OF YEAR	<u>\$ 10,900</u>	<u>\$ 10,042</u>

See Accountant's Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
NET LOSS	<u>\$ (1,287)</u>	<u>\$ (4,489)</u>
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation	115	132
(Increase) Decrease in Accounts Receivable	(5)	295
Increase (Decrease) in Accrued Expenses	<u>35</u>	<u>(18)</u>
Total Adjustments	<u>145</u>	<u>409</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (1,142)</u></u>	<u><u>\$ (4,080)</u></u>

See Accountant's Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002</u>			
	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE, DECEMBER 31, 2001	\$ 1,000	\$ 55,000	\$ (46,872)	\$ 9,128
Shares issued	-	-	-	-
Net Income (Loss)	-	-	\$ (4,489)	\$ (4,489)
Capital Contribution	-	\$ 5,000	-	\$ 5,000
BALANCE, DECEMBER 31, 2002	<u>\$ 1,000</u>	<u>\$ 60,000</u>	<u>\$ (51,361)</u>	<u>\$ 9,639</u>

	<u>2003</u>			
BALANCE DECEMBER 31, 2002	\$ 1,000	\$ 60,000	\$ (51,361)	\$ 9,639
Shares Issued	-	-	-	-
Net Income (Loss)	-	-	\$ (1,287)	\$ (1,287)
Capital Contribution	-	\$ 2,000	-	\$ 2,000
	<u>\$ 1,000</u>	<u>\$ 62,000</u>	<u>\$ (52,648)</u>	<u>\$ 10,352</u>

See Accountant's Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.  
COMPUTATION OF NET CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2003**

	<u>2003</u>	<u>2002</u>
STOCKHOLDER'S EQUITY AT END OF YEAR	\$ 10,352	\$ 9,639
Total Non-Allowable Assets	51	161
Net Capital	10,301	9,478
Minimum Dollar Capital Requirement	5,000	5,000
Excess Net Capital (Note 2)	\$ 5,301	\$ 4,478

See Accountant's Report. The accompanying notes are an integral part of the financial statements.

**BROWN INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

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

**NATURE OF BUSINESS**

The company was incorporated September 14, 1987 and began operations on January 1, 1988 as a broker/dealer in shares of registered, open-end investment companies. The company is registered with the National Association of Securities Dealers (NASD Firm #17501) and with the Securities and Exchange Commission (SEC. File #8-38904).

The company does not receive or hold customer funds or securities.

**METHOD OF ACCOUNTING**

The company prepares its financial statements on the accrual method of accounting, recognizing income when earned and expenses when incurred.

**CASH & CASH EQUIVALENTS**

The company considers cash, certificates of deposits and all highly liquid investments purchased with maturities of less than three months to be cash or cash equivalents.

**USE OF ESTIMATES**

The preparation of financial statements in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and depreciated using straight-line methods over their useful lives.

**INCOME TAXES**

The corporation has elected Subchapter S status with the Internal Revenue Service. Any operating income or loss arising from the activities of the company is reported, after appropriate adjustments, on the personal income tax returns of the shareholders.

**ADVERTISING**

Advertising costs are expensed as incurred.

**BROWN INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 – NET CAPITAL REQUIREMENT**

As of July 1, 1994, the Securities and Exchange Commission required that broker/dealers who do not handle customer funds or securities maintain a minimum net capital of \$5,000.00. The company reported net capital of \$9,478.00 at December 31, 2002, an excess of \$4,478.00 above the minimum \$5,000.00 requirement. The company reported net capital of \$10,301.00 on December 31, 2003, an excess of \$5,301.00 above the \$5000.00 requirement.

In addition, no significant difference exists between the net capital reported in the financial statements and the net capital reported in Part IIA of the broker/dealers unaudited Form X-17A-5 for the years ended December 31, 2003 and 2002.

**BROWN INVESTMENTS, INC.**

**NASD FIRM #17501/SEC FILE #8-38904**

**AUDITOR'S REPORT ON  
INTERNAL ACCOUNTING CONTROLS**

**YEARS ENDED DECEMBER 31, 2003 AND 2002**

Board of Directors  
Brown Investments, Inc.  
Four Howes Lane  
Plymouth MA, 02360

In planning and performing our audits of the financial statements and supplemental schedules of Brown Investments, Inc. (the Company) for the years ended December 31, 2003 and 2002, we considered the internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an 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 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 and net capital under rule 17-3(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 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 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 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 the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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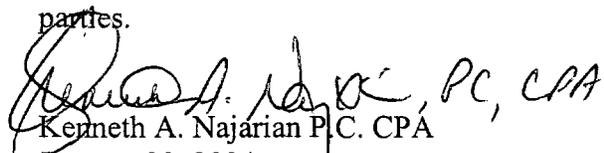
Tel: 781-319-0600  
Fax: 781-837-4201

Because of inherent limitations in 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 will deteriorate.

Our consideration of internal control would not necessarily disclose all matters in 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 or not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted the following matters involving accounting control activities and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Brown Investments, Inc. for the years ending December 31, 2003 and 2002, and this report does not affect our report thereon dated January 2004. Brown Investments, Inc. is an owner-operated business with no employees. Its sole stockholder is responsible for all aspects of the business and performs the complete accounting function, including recording, authorizing and executing transactions. Since there is no segregation of duties there is no adequate system of internal accounting controls and the operation of the system of internal accounting control would not reduce to a relatively low level the risk of error or fraud in amounts that would be material in relation to the financial statements.

We understand the 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 except as noted above the Company's practices and procedures were adequate at December 31, 2003 and 2002 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 that rely on rule 17a-5(g) under the Securities and 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.

  
Kenneth A. Najarian P.C. CPA  
January 30, 2004

**BROWN INVESTMENTS, INC.**

**NASD FIRM #17501/SEC FILE #8-38904**

**SUPPLEMENTAL REPORT PURSUANT TO  
SECURITIES INVESTOR PROTECTION ACT**

**YEARS ENDED DECEMBER 31, 2003 AND 2002**

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Kenneth A. Najarian, PC  
Certified Public Accountant

Thomas J. Brown, President  
Brown Investments, Inc.  
Four Howes Lane  
Plymouth MA 02360

Subject: Supplemental Report Pursuant to the Securities Investor Protection Act

Dear Mr. Brown:

I have examined the financial statements of Brown Investments, Inc. as of December 31, 2003 and 2002 and have issued my report thereon dated January 2004. As part of my examination, I have reviewed the company's basis for claiming exclusion from membership under the Securities Investor Protection Act of 1970.

In my opinion, Brown Investments, Inc. qualifies for exclusion from membership under the Securities Investor Protection Act of 1970 for reasons stated in its "Certification of Exclusion From Membership" (SIPC-3) filed directly with the Securities Investor Protection Corporation on January 10, 2003 for the fiscal year ended December 31, 2003 and on January 17, 2002 for the fiscal year ended December 31, 2002.



Kenneth A. Najarian PC, CPA

January 30, 2004

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