

3/12

SECURITIES



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SSION

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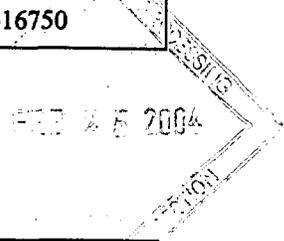
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| OMB APPROVAL |
| OMB Number: 3235-0123 |
| Expires: October 31, 2004 |
| Estimated average burden hours per response 12.00 |

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

| |
|-----------------|
| SEC FILE NUMBER |
| 8-16750 |

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 1/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

| | |
|---|--|
| NAME OF BROKER-DEALER: AEI SECURITIES, INC. ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 30 EAST SEVENTH STREET, SUITE 1300 <small>(No. and Street)</small> | OFFICIAL USE ONLY FIRM ID. NO |
| SAINT PAUL <small>(City)</small> | MINNESOTA <small>(State)</small> |
| | 55101 <small>(Zip Code)</small> |

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

PATRICK W KEENE/ROBERT P JOHNSON 651-227-7333
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BOULAY, HEUTMAKER, ZIBELL & COMPANY P.L.L.P.
5151 EDINA INDUSTRIAL BLVD (Name - if individual, state last, first, middle name)
SUITE 500 MINNEAPOLIS MINNESOTA 55439
(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 16 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).

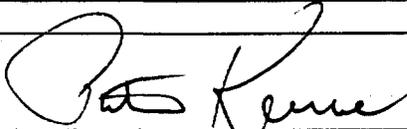
SEC 1410 (0602)

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.

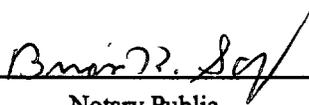
JW

OATH OR AFFIRMATION

I, PATRICK W KEENE swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AEI SECURITIES, 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:


Signature

CHIEF FINANCIAL OFFICER
Title


Notary Public



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital. (Statement of Operations & Retained Earnings)
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital. (3)
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. (2)
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. (2)
- (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. (1)
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (1)
- (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. (1)
- (o) Internal Control Report

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

- (1) Not Applicable.
- (2) Exemption Under Rule 15c 3-3 (k) (2) (b).
- (3) There Were No Reconciling Items Between The Audited Computation Of Net Capital And The Corresponding Unaudited Focus Report.

REPORT OF INDEPENDENT AUDITORS

To the Stockholder of
AEI Securities, Inc.:

We have audited the accompanying statement of financial condition of AEI Securities, Inc. as of December 31, 2003 and 2002 and the related statements of operations and retained earnings 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEI Securities, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Boulay, Heutmaker, Zibell + Co. P.L.L.P.

Boulay, Heutmaker, Zibell & Co. P.L.L.P.
Certified Public Accountants

Minneapolis, Minnesota
January 23, 2004

AEI SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31

ASSETS

| | <u>2003</u> | <u>2002</u> |
|-----------------------------------|-------------|-------------|
| ASSETS: | | |
| Cash | \$ 373,297 | \$ 257,954 |
| Receivable from Related Companies | 31,301 | 9,252 |
| Prepaid Insurance | 2,280 | 3,804 |
| | ----- | ----- |
| Total Assets | \$ 406,878 | \$ 271,010 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|------------|------------|
| LIABILITIES: | | |
| Commissions Payable | \$ 55,616 | \$ 14,052 |
| STOCKHOLDER'S EQUITY: | | |
| Common Stock, no par value, 2,500 shares authorized and issued | 12,500 | 12,500 |
| Additional Paid-In-Capital | 37,500 | 37,500 |
| Retained Earnings | 301,262 | 206,958 |
| | ----- | ----- |
| Total Stockholder's Equity | 351,262 | 256,958 |
| | ----- | ----- |
| Total Liabilities and Stockholder's Equity | \$ 406,878 | \$ 271,010 |
| | ===== | ===== |

The accompanying Notes to Financial Statements are an integral part of this statement

AEI SECURITIES, INC.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31

OPERATIONS

| | <u>2003</u> | <u>2002</u> |
|----------------------------|--------------|--------------|
| REVENUES: | | |
| Commissions | \$ 3,073,722 | \$ 1,915,007 |
| Interest | 2,719 | 3,028 |
| | ----- | ----- |
| Total Revenues | 3,076,441 | 1,918,035 |
| | ----- | ----- |
| EXPENSES: | | |
| Commissions Reallowed | 2,354,651 | 1,564,473 |
| Underwriting | 5,819 | 4,021 |
| General and Administrative | 12,667 | 10,310 |
| | ----- | ----- |
| Total Expenses | 2,373,137 | 1,578,804 |
| | ----- | ----- |
| NET INCOME | 703,304 | 339,231 |

RETAINED EARNINGS

| | | |
|----------------------------|------------|------------|
| BALANCE, beginning of year | 206,958 | 238,727 |
| DISTRIBUTIONS | (609,000) | (371,000) |
| | ----- | ----- |
| BALANCE, end of year | \$ 301,262 | \$ 206,958 |
| | ===== | ===== |

The accompanying Notes to Financial Statements are an integral part of this statement

AEI SECURITIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

| | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 703,304 | \$ 339,231 |
| Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities: | | |
| (Increase) Decrease in Receivable from Related Companies | (22,049) | 2,616 |
| (Increase) Decrease in Prepaid Insurance | 1,524 | (3,188) |
| Increase in Commission Payable | 41,564 | 12,462 |
| | ----- | ----- |
| Total Adjustments | 21,039 | 11,890 |
| | ----- | ----- |
| Net Cash Provided By Operating Activities | 724,343 | 351,121 |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Distributions | (609,000) | (371,000) |
| | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH | 115,343 | (19,879) |
| CASH, beginning of year | 257,954 | 277,833 |
| | ----- | ----- |
| CASH, end of year | \$ 373,297 | \$ 257,954 |
| | ===== | ===== |

The accompanying Notes to Financial Statements are an integral part of this statement

AEI SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(1) Summary of Organization and Significant Accounting Policies -

AEI Securities, Inc. (Company) is a licensed broker-dealer under the jurisdiction of the National Association of Securities Dealers, Inc. The Company's major source of income is commissions earned on the sale of units in limited partnerships and limited liability companies which have been organized by Robert P. Johnson and affiliated entities. Revenue is recognized when the minimum number of units have been accepted under the respective agreements.

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(2) Cash Concentrations of Credit Risk -

The Company's cash is deposited primarily in one financial institution and at times during the year it may exceed FDIC insurance limits.

(3) Related Party Transactions -

On August 1, 2003, Robert P. Johnson, the Company's sole stockholder and President, contributed the outstanding shares of the Company to a newly formed entity, AEI Capital Corporation (ACC). The Company will operate as a wholly owned subsidiary of ACC. Mr. Johnson is the majority stockholder of ACC. Mr. Johnson is also the sole stockholder and President of AEI Fund Management, Inc., which provides management services to the Company.

The Company and its affiliates have common management and utilize the same facility. As a result, certain general and administrative expenses and underwriting costs are allocated among these related companies. The Company is reimbursed for certain general and administrative costs by partnerships whose offering was underwritten by the Company. In 2003 and 2002, these reimbursements totaled \$21,202 and \$13,350, respectively. These costs consisted of license fees, broker bond insurance, NASD filing costs, professional fees and overhead costs necessary to maintain the Company as a licensed broker/dealer with the NASD.

(4) Income Taxes -

The Company elected S-Corporation status. As a result, prior to August 1, 2003, the income of the Company for Federal and State income tax reporting purposes was included in the income tax return of the sole stockholder. On August 1, 2003, the Company became a qualified subchapter S subsidiary of ACC. As a result, the income of the Company is treated as belonging to the parent corporation, ACC. In general, no recognition has been given to income taxes in the accompanying financial statements.

AEI SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(Continued)

(5) Net Capital Requirements -

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934. This Rule provides that aggregate indebtedness, as defined, may not exceed 15 times net capital, as defined. Alternatively, the Company's net capital may not be less than \$5,000 or 6-2/3% of total aggregate indebtedness. As of December 31, 2003 and December 31, 2002, the Company had net capital of \$317,681 and \$243,902, respectively, which exceeded the required net capital by \$312,681 and \$238,902, respectively. Its ratio of aggregate indebtedness to net capital was .18 to 1 and .06 to 1, respectively.

SCHEDULE I

AEI SECURITIES, INC.
COMPUTATION OF RATIO OF
AGGREGATE INDEBTEDNESS TO ADJUSTED
NET CAPITAL (Rule 15c3-1)
DECEMBER 31, 2003

| | |
|---|------------|
| Total Assets | \$ 406,878 |
| Less - Aggregate Indebtedness | 55,616 |
| | ----- |
| Unadjusted Capital | 351,262 |
| Adjustments: | |
| Receivable from Related Companies | (31,301) |
| Prepaid Insurance | (2,280) |
| | ----- |
| Adjusted Net Capital | \$ 317,681 |
| | ===== |
| Ratio of Aggregate Indebtedness to Adjusted Net Capital | .18:1 |
| | ===== |

See Report of Independent Auditors



Boulay, Heutmaker, Zibell & Co. P.L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Member of SEC and Private Companies
Practice Sections of the American Institute of
Certified Public Accountants

Member of the International Group of
Accounting Firms with Offices in Principal Cities

igaf

January 23, 2004

Board of Directors
AEI Securities, Inc.
St. Paul, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of AEI Securities, Inc. (the Company), 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 and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining 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.

500 Sentinel Building 5151 Edina Industrial Boulevard Minneapolis, MN 55439
Phone (952) 893-9320 Fax (952) 835-7296 www.bhz.com

Helping you get there...

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 may 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 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 internal control, including control activities for segregating 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 that 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.

Boulay, Heutmaker, Zibell + Co. P.L.L.P.

Boulay, Heutmaker, Zibell & Co. P.L.L.P.
Certified Public Accountants

Minneapolis, Minnesota

January 23, 2004

FORM
X-17A-5

FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

Part IIA Quarterly 17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

OVER

Select a filing method:

Basic Alternate [0011]

Name of Broker Dealer:

AEI SECURITIES, INC.

[0013]

SEC File Number: 8- 16750

[0014]

Address of Principal Place of Business:

1300 WELLS FARGO PLACE

[0020]

ST. PAUL MN 55101-4901

[0021] [0022]

[0023]

Firm ID: 6158

[0015]

Period Beginning 10/01/2003 And Ending 12/31/2003

[0024]

[0025]

Name and telephone number of person to contact in regard to this report:

Name: PATRICK KEENE, CFO Phone: 651-227-7333

[0030]

[0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: _____ Phone: _____

[0032]

[0033]

Name: _____ Phone: _____

[0034]

[0035]

Name: _____ Phone: _____

[0036]

[0037]

Name: _____ Phone: _____

[0038]

[0039]

Does respondent carry its own customer accounts? Yes [0040] No [0041]

Check here if respondent is filing an audited report [0042]

SETS

Consolidated [0198] Unconsolidated [0199]

| | Allowable | Non-Allowable | Total |
|--|-------------------|----------------------|-------------------|
| i. Cash | 373,297 [0200] | | 373,297 [0750] |
| 2. Receivables from brokers or dealers: | | | |
| A. Clearance account | [0295] | | |
| B. Other | [0300] | [0550] | 0 [0810] |
| 3. Receivables from non-customers | [0355] | 31,301 [0600] | 31,301 [0830] |
| 4. Securities and spot commodities owned, at market value: | | | |
| A. Exempted securities | [0418] | | |
| B. Debt securities | [0419] | | |
| C. Options | [0420] | | |
| D. Other securities | [0424] | | |
| E. Spot commodities | [0430] | | 0 [0850] |
| 5. Securities and/or other investments not readily marketable: | | | |
| A. At cost | [0130] | | |
| B. At estimated fair value | [0440] | [0610] | 0 [0860] |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | [0460] | [0630] | 0 [0880] |
| A. Exempted securities | [0150] | | |
| B. Other securities | [0160] | | |
| 7. Secured demand notes market value of collateral: | [0470] | [0640] | 0 [0890] |

LIABILITIES AND OWNERSHIP EQUITY

| Liabilities | A.I. Liabilities | Non-A.I. Liabilities | Total |
|---|------------------|----------------------|------------------|
| 3. Bank loans payable | [1045] | [1255] | 0 [1470] |
| 4. Payable to brokers or dealers: | | | 0 |
| A. Clearance account | [1114] | [1315] | [1560] |
| B. Other | 55,616 [1115] | [1305] | 55,616 [1540] |
| 5. Payable to non-customers | [1155] | [1355] | 0 [1610] |
| 6. Securities sold not yet purchased, at market value | | [1360] | 0 [1620] |
| 7. Accounts payable, accrued liabilities, expenses and other | [1205] | [1385] | 0 [1685] |
| 8. Notes and mortgages payable: | | | 0 |
| A. Unsecured | [1210] | | [1690] |
| B. Secured | [1211] | [1390] | 0 [1700] |
| 9. Liabilities subordinated to claims of general creditors: | | | 0 |
| A. Cash borrowings: | | [1400] | [1710] |
| 1. from outsiders | | | |
| | [0970] | | |
| 2. Includes equity subordination (15c3-1(d)) of | | | |
| | [0980] | | |
| B. Securities borrowings, at market value: | | [1410] | 0 [1720] |
| from outsiders | | | |
| | [0990] | | |
| C. Pursuant to secured demand note collateral agreements: | | [1420] | 0 [1730] |
| 1. from outsiders | | | |

[1000]

2. Includes equity subordination (15c3-1(d)) of

[1010]

D. Exchange memberships contributed for use of company, at market value

[1430]

0

[1740]

E. Accounts and other borrowings not qualified for net capital purposes

[1220]

[1440]

0

[1750]

20.

TOTAL LIABILITIES

55,616

[1230]

0

[1450]

55,616

[1760]

Ownership Equity

Total

21. Sole proprietorship

[1770]

22. Partnership (limited partners [1020])

[1780]

23. Corporations:

A. Preferred stock

[1791]

B. Common stock

12,500

[1792]

C. Additional paid-in capital

37,500

[1793]

D. Retained earnings

301,262

[1794]

E. Total

351,262

[1795]

F. Less capital stock in treasury

[1796]

24.

TOTAL OWNERSHIP EQUITY

351,262

[1800]

25.

TOTAL LIABILITIES AND OWNERSHIP EQUITY

406,878

[1810]

STATEMENT OF INCOME (LOSS)

Period Beginning 10/01/2003
[3932]

Period Ending 12/31/2003
[3933]

Number of months 3
[3931]

REVENUE

| | | |
|---|---------|-------------|
| 1. Commissions: | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | | [3935] |
| b. Commissions on listed option transactions | | [3938] |
| c. All other securities commissions | | [3939] |
| d. Total securities commissions | | 0 [3940] |
| 2. Gains or losses on firm securities trading accounts | | |
| a. From market making in options on a national securities exchange | | [3945] |
| b. From all other trading | | [3949] |
| c. Total gain (loss) | | 0 [3950] |
| 3. Gains or losses on firm securities investment accounts | | [3952] |
| 4. Profit (loss) from underwriting and selling groups | 858,090 | [3955] |
| 5. Revenue from sale of investment company shares | | [3970] |
| 6. Commodities revenue | | [3990] |
| 7. Fees for account supervision, investment advisory and administrative services | | [3975] |
| 8. Other revenue | 386 | [3995] |
| 9. Total revenue | 858,476 | [4030] |

EXPENSES

| | | |
|--|---------|--------|
| i0. Salaries and other employment costs for general partners and voting stockholder officers | | [4120] |
| i1. Other employee compensation and benefits | | [4115] |
| i2. Commissions paid to other broker-dealers | 645,992 | [4140] |
| i3. Interest expense | | [4075] |
| a. Includes interest on accounts subject to subordination agreements | | [4070] |
| i4. Regulatory fees and expenses | | [4195] |
| i5. Other expenses | 8,257 | [4100] |
| i6. Total expenses | 654,249 | |

[4200]

NET INCOME

204,227

[4210]

17. Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)

[4220]

18. Provision for Federal Income taxes (for parent only)

[4222]

19. Equity in earnings (losses) of unconsolidated subsidiaries not included above

a. After Federal income taxes of

[4238]

20. Extraordinary gains (losses)

[4224]

a. After Federal income taxes of

[4239]

21. Cumulative effect of changes in accounting principles

[4225]

22. Net income (loss) after Federal income taxes and extraordinary items

204,227

[4230]

MONTHLY INCOME

126,216

23. Income (current monthly only) before provision for Federal income taxes and extraordinary items

[4211]

EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k) [4550]
 (1)--Limited business (mutual funds and/or variable annuities only)

B. (k) [4560]
 (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained

C. (k) [4570]
 (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)

| Clearing Firm SEC#s | Name | Product Code |
|---------------------|----------|---------------|
| 8- _____ [4335A] | _____ | _____ [4335B] |
| 8- _____ [4335C] | _____ | _____ [4335D] |
| 8- _____ [4335E] | _____ | _____ [4335F] |
| 8- _____ [4335G] | _____ | _____ [4335H] |
| 8- _____ [4335I] | _____ | _____ [4335J] |
| | [4335A2] | |
| | [4335C2] | |
| | [4335E2] | |
| | [4335G2] | |
| | [4335I2] | |

D. (k) [4580]
 (3)--Exempted by order of the Commission

COMPUTATION OF NET CAPITAL

| | | | | |
|----|--|---------------|---------|--------|
| 1. | Total ownership equity from Statement of Financial Condition | | 351,262 | |
| | | | [3480] | |
| 2. | Deduct ownership equity not allowable for Net Capital | | | [3490] |
| 3. | Total ownership equity qualified for Net Capital | | 351,262 | [3500] |
| 4. | Add: | | | |
| | A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | | 0 | [3520] |
| | B. Other (deductions) or allowable credits (List) | | | |
| | _____ [3525A] | _____ [3525B] | | |
| | _____ [3525C] | _____ [3525D] | | |
| | _____ [3525E] | _____ [3525F] | 0 | [3525] |
| 5. | Total capital and allowable subordinated liabilities | | 351,262 | [3530] |
| 6. | Deductions and/or charges: | | | |
| | A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) | 33,581 | | [3540] |
| | B. Secured demand note deficiency | | | [3590] |
| | C. Commodity futures contracts and spot commodities - proprietary capital charges | | | [3600] |
| | D. Other deductions and/or charges | | -33,581 | [3620] |
| 7. | Other additions and/or credits (List) | | | |
| | _____ [3630A] | _____ [3630B] | | |
| | _____ [3630C] | _____ [3630D] | | |
| | _____ [3630E] | _____ [3630F] | 0, | [3630] |
| 8. | Net capital before haircuts on securities positions | | 317,681 | [3640] |
| 9. | Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)): | | | |
| | A. Contractual securities commitments | | | [3660] |
| | B. Subordinated securities borrowings | | | [3670] |
| | C. Trading and investment securities: | | | |
| | 1. Exempted securities | | | [3735] |
| | 2. Debt securities | | | [3733] |

[3820]

[3830]

55,616

[3840]

% 18

[3850]

19. Total aggregate indebtedness

20. Percentage of aggregate indebtedness to net capital (line 19 / line 10)

OTHER RATIOS

21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)

% 0

[3860]

SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| Type of Proposed Withdrawal Accrual | Name of Lender or Contributor | Insider or Outsider | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | Withdrawal or Maturity Date (MMDDYYYY) | Expect to Renew |
|--|-------------------------------|---------------------|--|--|-----------------------|
| [4600] | | [4602] | | | |
| | [4601] | | [4603] | [4604] | [4605] |
| [4610] | | [4612] | | | |
| | [4611] | | [4613] | [4614] | [4615] |
| [4620] | | [4622] | | | |
| | [4621] | | [4623] | [4624] | [4625] |
| [4630] | | [4632] | | | |
| | [4631] | | [4633] | [4634] | [4635] |
| [4640] | | [4642] | | | |
| | [4641] | | [4643] | [4644] | [4645] |
| [4650] | | [4652] | | | |
| | [4651] | | [4653] | [4654] | [4655] |
| [4660] | | [4662] | | | |
| | [4661] | | [4663] | [4664] | [4665] |
| [4670] | | [4672] | | | |
| | [4671] | | [4673] | [4674] | [4675] |
| [4680] | | [4682] | | | |
| | [4681] | | [4683] | [4684] | [4685] |
| [4690] | | [4692] | | | |
| | [4691] | | [4693] | [4694] | [4695] |
| | TOTAL \$ | | 0 | | |
| | | | [4699] | | |

Omit Pennies

Instructions Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

| Withdrawal Code | Description |
|-----------------|------------------------------|
| 1 | Equity Capital |
| 2 | Subordinated Liabilities |
| 3 | Accruals |
| 4 | 15c3-1(c)(2)(iv) Liabilities |

