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

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**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:

**Asset Alliance Investment Services, Inc.**

OFFICIAL USE ONLY

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

**800 Third Avenue**

FIRM ID. NO.

**New York**

**NY**

**10022**

(City)

(State)

(Zip Code)

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

**Mr. Bruce H. Lipnick**

**(212) 207-8786**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

**Ernst & Young LLP**

**5 Times Square**

**New York**

**NY**

**10036**

(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 23 2004**  
**THOMSON FINANCIAL**

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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(b)(2)

Handwritten initials and date: 3/23/04

**OATH OR AFFIRMATION**

I, Bruce H. Lipnick, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Asset Alliance Investment Services, 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:

**NO EXCEPTIONS**

*Sandra Borzomi*  
Notary Public

SANDRA BORZOMI  
Notary Public, State of New York  
No. JT805956762  
Qualified in Nassau County  
Commission Expires March 11, 2006

*Bruce H. Lipnick*  
Signature  
**President & Chief Executive Officer**  
Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholder's Equity.
- (f) Statement of Changes in Liabilities Subordinated to Claims or 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 or 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.
- (o) Independent Auditors' Supplementary Report on Internal Control.

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

STATEMENT OF FINANCIAL CONDITION

Asset Alliance Investment Services, Inc.

December 31, 2003

with Report of Independent Auditors

Asset Alliance Investment Services, Inc.

Statement of Financial Condition

December 31, 2003

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## Report of Independent Auditors

To the Stockholder and Board of Directors of  
Asset Alliance Investment Services, Inc.

We have audited the accompanying statement of financial condition of Asset Alliance Investment Services, Inc. (the "Company") as of December 31, 2003. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

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

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Asset Alliance Investment Services, Inc. at December 31, 2003, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

February 27, 2004

Asset Alliance Investment Services, Inc.

Statement of Financial Condition

December 31, 2003

<b>Assets</b>	
Cash	\$ 49,643
Due from affiliate	108,058
Due from Parent	<u>2,545</u>
Total assets	<u>\$ 160,246</u>
 <b>Liabilities and stockholder's equity</b>	
Liabilities:	
Payable to investment advisors and affiliates	\$ 107,234
Accrued expenses	<u>18,000</u>
Total liabilities	125,234
 Stockholder's equity:	
Common stock, \$0.01 par value; 100 shares authorized, issued and outstanding	1
Additional paid-in capital	160,820
Accumulated deficit	<u>(125,809)</u>
Total stockholder's equity	<u>35,012</u>
Total liabilities and stockholder's equity	<u>\$ 160,246</u>

*See accompanying notes to statement of financial condition.*

# Asset Alliance Investment Services, Inc.

## Notes to Statement of Financial Condition

December 31, 2003

### 1. Business and Organization

Asset Alliance Investment Services, Inc. (the "Company"), a wholly-owned subsidiary of Asset Alliance Corporation (the "Parent"), was incorporated on October 3, 1997. The Company was formed for the purpose of providing a broad range of marketing and investor services for the Parent and its subsidiaries' private investment products and those of affiliated asset managers. The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc.

### 2. Significant Accounting Policies

#### Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

#### Estimated Fair Value of Financial Instruments

The fair value of assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures About Fair Value of Financial Instruments," approximates the carrying amounts presented in the accompanying statement of assets and liabilities.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### 3. Net Capital Requirements

The Company is subject to the Uniform Net Capital Rule 15c3-1 (the "Rule") of the Securities and Exchange Commission ("SEC"). The Company's minimum net capital requirement is the greater of 6-2/3% of aggregate indebtedness, as defined, or \$5,000. In addition, certain advances, payments of dividends and other equity withdrawals are subject to certain notification provisions of the Rule. At December 31, 2003, the Company had net capital, as defined, of \$32,467, exceeding requirements by \$24,118. The Company's aggregate indebtedness to net capital ratio was 386% at December 31, 2003.

Asset Alliance Investment Services, Inc.

Notes to Statement of Financial Condition (continued)

**4. Related Party Transactions**

The Company has entered into a placement agreement with an affiliate. The Company will receive placement revenues on a quarterly basis from the affiliate. Due from affiliate includes placement revenues receivable from the affiliate in the amount of \$108,058.

**5. Subsequent Event**

During February 2004, the Company received a capital contribution of \$100,000 from the Parent.