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

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

SEC FILE NUMBER
47094

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FIRST AMERICAN SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1624 HARMON PLACE, #218

(No. and Street)

MINNEAPOLIS

MN

55403

(City)

(State)

(Zip Code)

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

JOAN D. MATHEWS

(612) 486-5890

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

VIRCHOW, KRAUSE & COMPANY, LLP

(Name - if individual, state last, first, middle name)

7900 XERXES AVENUE SOUTH, SUITE 2400

BLOOMINGTON

MN

55431

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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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(e)(2)

88-19

OATH OR AFFIRMATION

I, JOAN D. MATHEWS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TRISTAR AMERICAN SECURITIES, INC.

of DECEMBER 31, 20 03, are true and correct. I further swear (or affirm) 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

\_\_\_\_\_  
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~~ 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 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 report.

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

# FIRST AMERICAN SECURITIES, INC.

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**Virchow Krause  
& company**

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
First American Securities, Inc.  
Minneapolis, Minnesota

We have audited the accompanying statements of financial condition of First American Securities, Inc. (a wholly owned subsidiary of Mathews Financial, LLC) as of December 31, 2003 and 2002, and the related statements of operations, stockholder's equity 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 First American 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules presented on page 5 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 is not 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.

*Virchow, Krause & Company, LLC*

Minneapolis, Minnesota  
February 23, 2004

**FIRST AMERICAN SECURITIES, INC.**

**STATEMENTS OF FINANCIAL CONDITION**  
December 31, 2003 and 2002

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	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 23,507	\$ 10,799
COMMISSIONS RECEIVABLE	-	3,472
PREPAID EXPENSES	5,812	1,604
EQUIPMENT, NET	<u>358</u>	<u>597</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,677</u></b>	<b><u>\$ 16,472</u></b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 567	\$ -
Commissions payable	<u>-</u>	<u>1,576</u>
Total Liabilities	<u>567</u>	<u>1,576</u>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, voting, \$.01 par value per share 5,000,000 shares authorized 464,000 shares issued and outstanding	4,640	4,640
Common stock, non-voting, \$.01 par value per share 5,000,000 shares authorized 40,000 shares issued and outstanding	400	400
Additional paid-in capital	164,951	164,951
Accumulated deficit	<u>(140,881)</u>	<u>(155,095)</u>
Total Stockholder's Equity	<u>29,110</u>	<u>14,896</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 29,677</u></b>	<b><u>\$ 16,472</u></b>

See accompanying notes to financial statements.

# FIRST AMERICAN SECURITIES, INC.

## STATEMENTS OF OPERATIONS Years Ended December 31, 2003 and 2002

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	<u>2003</u>	<u>2002</u>
<b>REVENUES:</b>		
Commissions and fees	\$ 298,032	\$ 38,003
Interest income	<u>53</u>	<u>182</u>
	<u>298,085</u>	<u>38,185</u>
<b>EXPENSES:</b>		
Sales commissions	180,634	22,427
Other operating expenses	<u>68,287</u>	<u>44,568</u>
	<u>248,921</u>	<u>66,995</u>
<b>INCOME TAXES</b>	<u>-</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 49,164</u>	<u>\$ (28,810)</u>

See accompanying notes to financial statements.

**FIRST AMERICAN SECURITIES, INC.**

**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**Years Ended December 31, 2003 and 2002**

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Voting</u>	<u>Non- Voting</u>	<u>Paid-In Capital</u>	<u>Deficit</u>	<u>Total</u>
<b>BALANCES, December 31, 2001</b>	\$ 4,640	\$ 400	\$ 164,951	\$ (126,285)	\$ 43,706
2002 net loss	-	-	-	(28,810)	(28,810)
<b>BALANCES, December 31, 2002</b>	4,640	400	164,951	(155,095)	14,896
Dividends paid	-	-	-	(34,950)	(34,950)
2003 net income	-	-	-	49,164	49,164
<b>BALANCES, December 31, 2003</b>	<u>\$ 4,640</u>	<u>\$ 400</u>	<u>\$ 164,951</u>	<u>\$ (140,881)</u>	<u>\$ 29,110</u>

**FIRST AMERICAN SECURITIES, INC.**

**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 49,164	\$ (28,810)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	239	397
Changes in operating assets and liabilities:		
Commissions receivable	3,472	(3,472)
Prepaid expenses	(4,208)	(1,604)
Accounts payable	567	1,576
Commissions payable	(1,576)	-
Net Cash Flows from Operating Activities	<u>47,658</u>	<u>(31,913)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to stockholder	(34,950)	-
Net Cash Flows from Financing Activities	<u>(34,950)</u>	<u>-</u>
 <b>Net Change in Cash and Cash Equivalents</b>	<u>12,708</u>	<u>(31,913)</u>
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>10,799</u>	<u>42,712</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 23,507</u>	<u>\$ 10,799</u>

See accompanying notes to financial statements.

# FIRST AMERICAN SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002

### NOTE 1 - Summary of Significant Accounting Policies

#### *Nature of Business*

The Company is a securities broker/dealer and is a member of the National Association of Securities Dealers and the Securities Investor Protection Corporation. The Company was incorporated on November 10, 1993 and was approved for membership in NASD on December 15, 1994. The Company's brokerage activity is transacted on a fully disclosed basis through a clearing broker.

As is typical in the industry, the Company engages in activities with various financial institutions and brokers. In the event these counter parties do not fulfill their obligations, the Company may be exposed to risks.

#### *Securities Transactions*

Securities transactions and related commission income and expenses are recorded on a trade-date basis.

#### *Cash and Cash Equivalents*

For purposes of reporting the statement of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash balances in excess of FDIC and similar insurance coverages are subject to the usual banking risks associated with funds in excess of those limits.

#### *Commissions receivable*

The commissions receivable are unsecured and no allowance for doubtful accounts is considered necessary at December 31, 2003 and 2002.

#### *Equipment*

Equipment is stated at cost and is depreciated over estimated useful lives of 5 years using accelerated methods. Accumulated depreciation was \$884 and \$645 at December 31, 2003 and 2002.

#### *Income Taxes*

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

# FIRST AMERICAN SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002

### NOTE 1 - Summary of Significant Accounting Policies (cont.)

#### Estimates

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - Related Party Transactions

The Company currently has office space provided by its sole stockholder. The Company is not being reimbursed by the stockholder, and therefore, no rent expense has been recorded in the financial statements. The Company also pays its parent company management fees in conjunction with research and other general office assistance provided by the parent company.

### NOTE 3 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's 12 Month Net Capital Rule (Rule 15c3-1), which applies to the calculation of minimum net capital and requires that the ratio of aggregate indebtedness to net capital be maintained at a maximum of 15 to 1. Net capital and the ratio of aggregate indebtedness to net capital fluctuate on a daily basis. As of December 31, 2003, the net capital was \$10,972 which exceeded the minimum requirement by \$10,972. As of December 31, 2002, the net capital was \$12,171 and net aggregate indebtedness was \$19,835 which exceeded the minimum requirement by \$7,695.

The Company's leverage ratio is not subject to the 15 to 1 requirement of Rule 15c3-1, and, accordingly, is exempt from the capital requirements of Rule 15c3-1. This exemption is based on provisions of Section (k)(2)(ii) of the Rule.

### NOTE 4 - Income Taxes

The Company did not record a tax provision for the year ended December 31, 2003 due to net operating loss carryforwards. The Company has recorded a 0% valuation allowance against its remaining net operating loss carryforwards.

**FIRST AMERICAN SECURITIES, INC.**

**COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER  
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
As of December 31, 2003**

**COMPUTATION OF NET CAPITAL**

Total stockholder's equity		\$	29,110
Deductions and/or charges:			
Non-allowable assets:			
Non-allowable cash equivalent	\$	1,068	
Prepaid expenses	\$	5,812	
Equipment, net	\$	<u>358</u>	
Total non-allowable assets			<u>7,238</u>
Net capital before haircuts on securities positions			21,872
Haircuts on securities positions			<u>-</u>
Net capital		\$	<u>21,872</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Total liabilities from statement of financial condition	\$	<u>567</u>
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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital requirement	\$	<u>5,000</u>
Excess net capital at 1,500 percent	\$	<u>16,872</u>
Excess net capital at 1,000 percent	\$	<u>21,815</u>
Ratio: Aggregate indebtedness to net capital		<u>.03 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

Net capital as reported in Company's Form 10-Q's reports, Form X-17A-5 (unaudited) as of December 31, 2003	\$	22,022
Net audit adjustments		<u>(150)</u>
Net capital per above	\$	<u>21,872</u>



# Virchow Krause & Company

## INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL

Board of Directors  
First American Securities, Inc.  
Minneapolis, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of First American Securities, Inc. 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 the internal control structure.

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 debt) and net capital requirements of the Company for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform other activities that require the Company to 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 in connection with the Securities Investor Protection Corporation 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 required to be in the practices and procedures and judgments by management are required to maintain the computed figures. The practices and procedures can be expected to achieve the SEC's above mentioned objectives. This of the objectives of internal control and the practices and procedures are not absolute assurance that assets for which the Company has responsibility are safeguarded against loss but are designed to be as effective as possible and that transactions are executed in accordance with management's authorization and are recorded in accordance with accounting principles generally accepted in the United States of America. The practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors 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 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 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 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.

*Vickroy, Krause & Company, LLP*

Minneapolis, Minnesota  
February 23, 2004