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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
8- 48922

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 07/01/03 AND ENDING 06/30/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
FIRST SECURITIES USA, INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2361 Campus Drive, Suite 210

OFFICIAL USE ONLY
FIRM ID NO.

(No. and Street)

Irvine California 92612  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Stanely C. Brooks 949/852-6800  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
LaVine & Associates CPAs, Inc.

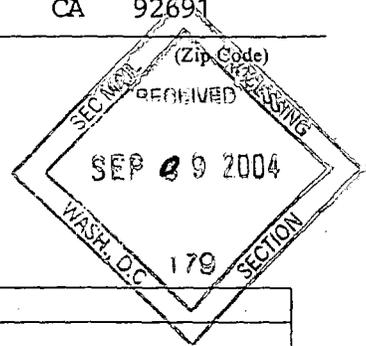
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SEP 30 2004

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

26691 Plaza Drive, Suite 222 Mission Viejo CA 92691  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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



<b>FOR OFFICIAL USE ONLY</b>

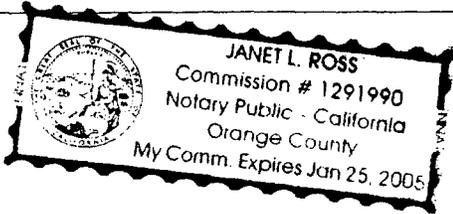
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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, Stanley C. Brooks, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Securities USA, Inc., as of June 30, 2004, 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]  
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 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.
- (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).

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - JUNE 30, 2004

FIRST SECURITIES USA, INC.

2361 CAMPUS DRIVE, SUITE 210  
IRVINE, CALIFORNIA 92612

MR. STANLEY C. BROOKS, PRESIDENT  
FIRST SECURITIES USA, INC.  
2361 CAMPUS DRIVE, SUITE 210  
IRVINE, CALIFORNIA 92612

**FIRST SECURITIES USA, INC.**

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Directors  
First Securities USA, Inc.  
Irvine, California

We have audited the accompanying balance sheets of First Securities USA, Inc. as of June 30, 2004 and 2003, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, 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 audits 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 audit provides 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 Securities USA, Inc. as of June 30, 2004 and 2003, and the results of their operations and their 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 Schedules I and II 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.

*LaVine & Associates CPAs, Inc.*

Mission Viejo, California  
August 25, 2004

**FIRST SECURITIES USA, INC.**

## Balance Sheets

June 30,

## ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash	\$626,748	\$182,453
Commissions receivable	267,914	350,157
Prepaid expenses and other assets	-	83,593
Deferred tax asset	<u>22,200</u>	<u>28,000</u>
TOTAL CURRENT ASSETS	916,862	644,203
Fixed Assets – at cost – net of accumulated depreciation of \$3,954 and \$1,318 in 2004 and 2003 – Note 1	<u>9,223</u>	<u>11,859</u>
TOTAL ASSETS	<u>\$926,085</u>	<u>\$656,062</u>

## LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Commissions payable	\$ 32,116	\$118,293
Accrued liabilities	61,381	73,885
Income taxes payable	<u>167,298</u>	<u>36,861</u>
TOTAL LIABILITIES – all current	<u>260,795</u>	<u>229,039</u>
STOCKHOLDER'S EQUITY		
Common stock - no stated value, 25,000 shares authorized 25,000 shares issued and outstanding	70,000	70,000
Additional paid-in-capital	235,000	235,000
Retained earnings	<u>360,290</u>	<u>122,023</u>
TOTAL STOCKHOLDER'S EQUITY	<u>665,290</u>	<u>427,023</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$926,085</u>	<u>\$656,062</u>

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

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**FIRST SECURITIES USA, INC.**  
 Statements of Income  
 For The Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Commissions and other income	\$6,302,157	\$3,463,780
Interest and dividend income	<u>22,434</u>	<u>9,250</u>
<b>TOTAL REVENUES</b>	<u>6,324,591</u>	<u>3,473,030</u>
<b>EXPENSES</b>		
Depreciation	2,636	1,318
Commissions	3,837,153	2,387,024
Other general/administrative expenses	<u>2,073,124</u>	<u>1,082,926</u>
<b>TOTAL EXPENSES</b>	<u>5,912,913</u>	<u>3,471,268</u>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<u>411,678</u>	<u>1,762</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current	167,611	800
Deferred	<u>5,800</u>	<u>2,761</u>
<b>TOTAL PROVISION FOR INCOME TAXES</b>	<u>173,411</u>	<u>3,561</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 238,267</u>	<u>\$ (1,799)</u>

**FIRST SECURITIES USA, INC.**  
**Statements of Changes in Stockholder's Equity**  
**For The Years Ended June 30, 2004 and 2003**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance - June 30, 2002	\$20,000	\$135,000	\$123,822	\$278,822
Stock Acquisition	50,000	-	-	50,000
Additional Paid in Capital	-	100,000	-	100,000
Net loss	<u>-</u>	<u>-</u>	<u>(1,799)</u>	<u>(1,799)</u>
Balance - June 30, 2003	70,000	235,000	122,023	427,023
Net Income	<u>-</u>	<u>-</u>	<u>238,267</u>	<u>238,267</u>
Balance - June 30, 2004	<u>\$70,000</u>	<u>\$235,000</u>	<u>\$360,290</u>	<u>\$665,290</u>

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

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**FIRST SECURITIES USA, INC.**  
 Statements of Cash Flows  
 For The Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 238,267	\$ (1,799)
Adjustments to reconcile net income to net cash provided (used) from operations:		
Depreciation	2,636	1,318
Changes in operating assets and liabilities:		
Decrease (increase) in commissions receivable	82,243	(254,206)
Decrease in prepaid expenses and other assets	83,593	65,961
Decrease in deferred tax asset	5,800	14,200
(Decrease) increase in commissions payable	(86,177)	59,048
(Decrease) increase in accrued liabilities	(12,504)	33,786
Increase in income taxes payable	<u>130,437</u>	<u>31,561</u>
Net cash provided (used) by operating activities	<u>444,295</u>	<u>(50,131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>-</u>	<u>(13,177)</u>
Net cash used by investing activities	<u>-</u>	<u>(13,177)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contributed/stock issuance	<u>-</u>	<u>150,000</u>
Net cash provided by financing activities	<u>-</u>	<u>150,000</u>
Net increase in cash	444,295	86,692
CASH BALANCE - beginning	<u>182,453</u>	<u>95,761</u>
CASH BALANCE - ending	<u>\$ 626,748</u>	<u>\$ 182,453</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 36,861</u>	<u>\$ 5,395</u>

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

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**FIRST SECURITIES USA, INC.**  
Statements of Changes in Liabilities  
Subordinated to Claims of General Creditors

June 30, 2004 and 2003

BALANCE – June 30, 2002	\$ -	\$ -
Activity - None	-	-
BALANCE – June 30, 2003	-	-
Activity – None	<u>-</u>	<u>-</u>
BALANCE – June 30, 2004	<u>\$ -</u>	<u>\$ -</u>

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

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**LaVine & Associates** • Certified Public Accountants, Inc.

**FIRST SECURITIES USA, INC.**  
Notes to Financial Statements  
For The Years Ended June 30, 2004 and 2003

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

**Nature of Business**

First Securities USA, Inc., "the Company", was incorporated in the State of Nevada, for the purpose of operating a broker/dealer business. The Company sells financial products, primarily mutual funds, securities and insurance, through independent registered representatives.

**Use of Estimates**

The preparation of financial statements, in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that effect the reporting of assets, liabilities, revenue expenses and related disclosures. Actual results could differ from those estimates. Any adjustments applied to estimates are recognized in the year in which such adjustments are determined.

**Basis of Accounting**

The financial statements of First Securities USA, Inc. are prepared on the accrual basis of accounting.

**Allowance for Uncollectibles**

It is the Company's policy that any commission receivable that becomes uncollectible is charged to the individual responsible for the original transaction. Therefore, no allowance has been established. Any amounts that cannot be charged to or collected from brokers are written off using the direct write-off method.

**Financial Instruments**

The following methods and assumptions were used by the Company to estimate the fair values of financial instruments as disclosed herein:

Cash and equivalents: The carrying amount approximates fair value because of the short period to maturity of the instruments.

**Comprehensive Income**

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, (SFAS 130), requires that total comprehensive income be reported in the financial statements. Comprehensive income is the same as net income as reported in the Statements of Income for the years ended June 30, 2004 and 2003.

**FIRST SECURITIES USA, INC.**  
Notes to Financial Statements  
For The Years Ended June 30, 2004 and 2003

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Reclassifications**

Certain reclassifications were made to the June 30, 2003 financial statements presentation in order to conform to the June 30, 2004 financial statements presentation.

**NOTE 2 – CUSTOMER ACCOUNTS**

Prior to June 30, 2000, the Company purchased accounts from another broker/dealer for \$100,000. The cost of the accounts were being amortized, utilizing the straight-line method, over a 15-year period. During the fiscal year ended June 30, 2002, management adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, and determined that a goodwill impairment should be recorded. Other general/administrative expenses include \$88,333, the remaining unamortized amount, from the impairment of the prior acquisition of customer accounts for financial reporting purposes.

**NOTE 3 – COMMON STOCK**

The Company has authorized to issue 25,000 shares of common stock with no stated value. During the fiscal year ended June 2003, an additional 5,000 shares were issued to the sole shareholder.

**NOTE 4 – ADDITIONAL PAID-IN-CAPITAL**

During the year ended June 30, 2003, the sole shareholder contributed \$100,000 as additional paid-in-capital.

**NOTE 5 – BROKER/DEALER NET CAPITAL**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1 (8 to 1 for 12 months after commencing business) (and the rule of the “applicable” exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). As of June 30, 2004 and 2003, the Company had net capital in the amount of \$633,867 and \$303,571, respectively, which was \$583,867 and \$303,571 in excess of its required net capital of \$50,000.

As of June 30, 2004 and 2003, the Company’s net capital ratio was .41 to 1 and .75 to 1, respectively, and met the two net capital rules.

**FIRST SECURITIES USA, INC.**  
Notes to Financial Statements  
For The Years Ended June 30, 2004 and 2003

**NOTE 6 – PROVISION FOR INCOME TAXES**

The provision for income taxes at June 30, 2004 and 2003, consists of the following:

<u>2004</u>	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$130,890	\$ 5,200	\$136,090
State	<u>36,721</u>	<u>600</u>	<u>37,321</u>
	<u>\$167,611</u>	<u>\$ 5,800</u>	<u>\$173,411</u>
<u>2003</u>	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ -	\$ 2,761	\$ 2,761
State	<u>800</u>	<u>-</u>	<u>800</u>
	<u>\$ 800</u>	<u>\$ 2,761</u>	<u>\$ 3,561</u>

Deferred taxes are accounted for under Financial Accounting Standard 109 (FAS 109) which uses an asset and liability approach in recognizing timing differences. This approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities. As of June 30, 2004, the deferred tax asset has been adjusted to \$22,200, arising mainly from the amortization of the purchase of customer accounts and the deduction of franchise taxes for federal purposes that will be utilized in future periods for tax purposes.

**NOTE 7 – SIGNIFICANT GROUP OF CONCENTRATIONS OF CREDIT RISK**

The Company sells investments in the states of California, Florida, Georgia, Illinois, Louisiana, Maryland, Montana, Nevada, New York, Ohio, Oregon, and Utah. However, the current source of its business is primarily located in California and Florida.

As of June 30, 2004, the Company had over \$100,000 on deposit with one financial institution. Since the FDIC insurance coverage is limited to \$100,000, amounts exceeding this are subject to additional risk.

**FIRST SECURITIES USA, INC.**  
 Computation of Net Capital under Rule 15c3-1  
 June 30,

	<u>2004</u>	<u>2003</u>
Stockholder's Equity	\$ 665,290	\$ 427,023
Deduct stockholder's equity not allowable for Net Capital	<u>-</u>	<u>-</u>
Total Stockholder's Equity Qualified for Net Capital	665,290	427,023
Deductions and/or Charges:		
Prepaid expenses and other assets	-	(83,593)
Fixed assets - net	(9,223)	(11,859)
Deferred tax asset	<u>(22,200)</u>	<u>(28,000)</u>
Net Capital	<u>\$ 633,867</u>	<u>\$ 303,571</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS		
Net Capital from above	\$ 633,867	\$ 303,571
Minimum Net Capital requirement	<u>50,000</u>	<u>50,000</u>
Excess Net Capital	<u>\$ 583,867</u>	<u>\$ 253,571</u>
COMPUTATION OF AGGREGATE INDEBTEDNESS		
Total aggregate indebtedness (from balance sheet)	<u>\$ 260,795</u>	<u>\$ 229,039</u>
Ratio of aggregate indebtedness to Net Capital	<u>.41 to 1</u>	<u>.75 to 1</u>
RECONCILIATION		
The following is a reconciliation, as of June 30, 2004 and 2003, of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 17a-5(d)(4):		
Net Capital - Company's computation	\$ 645,746	\$ 297,948
Reconciling items:		
Net audit adjustments	<u>(11,879)</u>	<u>5,623</u>
Net Capital	<u>\$ 633,867</u>	<u>\$ 303,571</u>

Board of Directors  
First Securities USA, Inc.  
Irvine, California

In planning and performing our audits of the financial statements and supplemental schedules of First Securities USA, Inc. (the Company), for the years ended June 30, 2004 and 2003, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated 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 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 an internal control structure 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 internal control structure policies and procedures 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 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 the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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 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 structure would not necessarily disclose all matters in the internal control structure 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 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, we noted no matters involving the internal control structure, including procedures for safeguarding securities, which 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 and 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 June 30, 2004, to meet the SEC's objectives.

This report is intended solely for the 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.

*LaVine & Associates CPAs, PC.*

Mission Viejo, California  
August 25, 2004