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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- 40219

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 10/01/03 AND ENDING 9/30/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Pacific Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2756 Woodlawn Drive Suite 6-201
(No. and Street)

Honolulu Hawaii 96822
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Nora Simpson 302-234-7614
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Tait, Weller & Baker
(Name - if individual, state last, first, middle name)

1818 Market Street, Suite 2400 Philadelphia PA 19103
(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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FINANCIAL

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NOV 30 2004
SEC MAIL
WASH. D.C. 202
PROCESSING
SECTION

FOR OFFICIAL USE ONLY

*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)

0812-15

OATH OR AFFIRMATION

I, Nora Simpson, 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 Pacific Securities, Inc., as of September 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:

Nora B. Simpson
Signature
Financial & Operations Principal
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.
- (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).

TAIT, WELLER & BAKER

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
First Pacific Securities, Inc.
Honolulu, Hawaii**

We have audited the accompanying statement of financial condition of First Pacific Securities, Inc. as of September 30, 2004 and the related statements of income (loss), changes in ownership equity, and cash flows for the year then ended. 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 audit.

We conducted our audit 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 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 Pacific Securities, Inc. as of September 30, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Pages 3, 4, 6 and 7 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 of the Securities and Exchange Commission. Such information has been 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.



**Philadelphia, Pennsylvania
November 19, 2004**

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Pacific Securities, Inc.

N 3

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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 9/30/04 99
 SEC FILE NO. 8-40219 98
 Consolidated 198
 Unconsolidated 199

ASSETS

Allowable

Non-Allowable

Total

1. Cash	\$ 5,163	200		\$ 5,163	750
2. Receivables from brokers or dealers:					
A. Clearance account		295			
B. Other		300	550		810
3. Receivables from non-customers		355	600		955
4. Securities and spot commodities owned, at market value:					
A. Exempted securities		418			
B. Debt securities		419			
C. Options		420			
D. Other securities	9,243	424			
E. Spot commodities		430		9,243	850
5. Securities and/or other investments not readily marketable:					
A. At cost $\frac{1}{2}$ \$		130			
B. At estimated fair value		440	610		860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities \$		460	630		880
B. Other securities \$		150			
B. Other securities \$		160			
7. Secured demand notes:		470	640		890
market value of collateral:					
A. Exempted securities \$		170			
B. Other securities \$		180			
8. Memberships in exchanges:					
A. Owned, at market \$		190			
B. Owned, at cost			650		
C. Contributed for use of the company, at market value			660		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	98,518	670	98,518
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	680		920
11. Other assets		535	735		930
12. TOTAL ASSETS	\$ 14,406	540	\$ 98,518	740	\$ 112,924

OMIT PENNIES

See notes to financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Pacific Securities, Inc.

as of 9/30/04

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable.....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account.....	1114	1315	1560
B. Other.....	1115	1305	1540
15. Payable to non-customers.....	1155	1355	1610
16. Securities sold not yet purchased, at market value.....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other.....	940 1205	1385	940 1685
18. Notes and mortgages payable:			
A. Unsecured.....	1210		1690
B. Secured.....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$.....	970		
2. Includes equity subordination (15c3-1 (d)) of \$.....	980		
B. Securities borrowings, at market value:...		1410	1720
from outsiders \$.....	990		
C. Pursuant to secured demand note collateral agreements:.....		1420	1730
1. from outsider: \$.....	1000		
2. -Includes equity subordination (15c3-1 (d)) of \$.....	1010		
D. Exchange memberships contributed for use of company, at market value.....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes.....	1220	1440	1750
20. TOTAL LIABILITIES.....	\$ 940 1230	\$ 1450	\$ 940 1760

Ownership Equity

21. Sole proprietorship.....		\$ 1770
22. Partnership (limited partners).....	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock.....		1791
B. Common stock.....		2,500 1792
C. Additional paid-in capital.....		152,226 1793
D. Retained earnings.....		(42,742) 1794
E. Total.....		111,984 1795
F. Less capital stock in treasury.....		1796
24. TOTAL OWNERSHIP EQUITY.....		\$ 111,984 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY.....		\$ 112,924 1810

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See notes to financial statements

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Pacific Securities, Inc.

as of 9/30/04

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$ 111,984	3480	
2. Deduct ownership equity not allowable for Net Capital	19 ()	3490	
3. Total ownership equity qualified for Net Capital	111,984	3500	
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		3520	
B. Other (deductions) or allowable credits (List)		3525	
5. Total capital and allowable subordinated liabilities	\$ 111,984	3530	
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) ¹⁷ \$ 98,518		3540	
B. Secured demand note deficiency		3590	
C. Commodity futures contracts and spot commodities- proprietary capital charges		3600	
D. Other deductions and/or charges		3610	
7. Other additions and/or allowable credits (List)	(98,518)	3620	
8. Net capital before haircuts on securities positions	20 \$ 13,466	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	18	3735	
2. Debt securities		3733	
3. Options		3730	
4. Other securities	647	3734	
D. Undue Concentration		3650	
E. Other (List)		3736	
10. Net Capital	(647)	3740	
	\$ 12,819	3750	

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Unaudited Capital Per 9/30/04 FOCUS Part II A

\$12,819

See notes to financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER	First Pacific Securities, Inc.	as of <u>9/30/04</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$ 62	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ 5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$ 5,000	3760
14. Excess net capital (line 10 less 13)	\$ 7,819	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$ 12,725	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$ 940	3790
17. Add:		
A. Drafts for immediate credit	\$ 3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$ 3810	
C. Other unrecorded amounts (List)	\$ 3820	3830
19. Total aggregate indebtedness	\$ 940	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	7.33% 3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	N/A 3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$ N/A	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ 3880	3880
24. Net capital requirement (greater of line 22 or 23)	\$ 3760	3760
25. Excess net capital (line 10 less 24)	\$ 3910	3910
26. Net capital in excess of:		
5% of combined aggregate debit items or \$120,000	\$ N/A	3920

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NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

3/83 See notes to financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Pacific Securities, Inc.

For the period (MMDDYY) from 10/01/03 3932 to 9/30/04 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	.....	\$	3935
b. Commissions on listed option transactions	.....	Y	3938
c. All other securities commissions	.....		25,166
d. Total securities commissions	.....		25,166
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)	.....		3950
3. Gains or losses on firm securities investment accounts	.....		(7)
4. Profit (loss) from underwriting and selling groups	.....	Y	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	.....		213,812
9. Total revenue	.....	\$	238,971

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	.....	\$	4120
11. Other employee compensation and benefits	.....	Y	4115
12. Commissions paid to other broker-dealers	.....		4140
13. Interest expense	.....		4075
a. Includes interest on accounts subject to subordination agreements	.....		4070
14. Regulatory fees and expenses	.....		3,749
15. Other expenses	.....		243,078
16. Total expenses	.....	\$	246,827

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	.....	\$	(7,856)	4210
18. Provision for Federal income taxes (for parent only)	.....	Y		4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above	.....			4222
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	.....	\$	(7,856)	4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	N/A	4211
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See notes to financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Pacific Securities, Inc.

For the period (MMDDYY) from 10/01/03 to 9/30/04

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period.....	\$	119,840	4240
A. Net income (loss).....		(7,856)	4250
B. Additions (Includes non-conforming capital of	Y \$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From item 1800)	\$	111,984	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period	Y \$	N/A	4300
A. Increases			4310
B. Decreases.....			4320
4. Balance, end of period (From item 3520).....	\$	N/A	4330

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Pacific Securities, Inc.

as of 9/30/04

Exemptive Provision Under Rule 15c3-3

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

- A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 \$5,000 (Category) 4550
- B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm 4335 4570
- D. (k) (3)—Exempted by order of the Commission 4580

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 or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
<u>4600</u>	<u>4601</u>	<u>4602</u>	<u>4603</u>	<u>4604</u>	<u>4605</u>
<u>4610</u>	<u>4611</u>	<u>4612</u>	<u>4613</u>	<u>4614</u>	<u>4615</u>
<u>4620</u>	<u>4621</u>	<u>4622</u>	<u>4623</u>	<u>4624</u>	<u>4625</u>
<u>4630</u>	<u>4631</u>	<u>4632</u>	<u>4633</u>	<u>4634</u>	<u>4635</u>
<u>4640</u>	<u>4641</u>	<u>4642</u>	<u>4643</u>	<u>4644</u>	<u>4645</u>
<u>4650</u>	<u>4651</u>	<u>4652</u>	<u>4653</u>	<u>4654</u>	<u>4655</u>
<u>4660</u>	<u>4661</u>	<u>4662</u>	<u>4663</u>	<u>4664</u>	<u>4665</u>
<u>4670</u>	<u>4671</u>	<u>4672</u>	<u>4673</u>	<u>4674</u>	<u>4675</u>
<u>4680</u>	<u>4681</u>	<u>4682</u>	<u>4683</u>	<u>4684</u>	<u>4685</u>
<u>4690</u>	<u>4691</u>	<u>4692</u>	<u>4693</u>	<u>4694</u>	<u>4695</u>

TOTAL \$ N/A 4699

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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

See notes to financial statements

FIRST PACIFIC SECURITIES, INC.

STATEMENT OF CASH FLOWS

Year ended September 30, 2004

INCREASE (DECREASE) IN CASH

Cash flows from operating activities

Commissions and other fees received	\$ 238,613
Interest and dividends received	365
Other expenses paid	<u>(242,818)</u>
Net cash used for operating activities	<u>(3,840)</u>

Cash flows from investing activities

Disbursement for purchase of investments	<u>(358)</u>
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Net decrease in cash (4,198)

Cash

Beginning of year	<u>9,361</u>
End of year	<u>\$ 5,163</u>

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

<i>Net (loss)</i>	\$ (7,856)
Decrease in accounts receivable from affiliate	<u>4,016</u>
<i>Net cash used for operating activities</i>	<u>\$ (3,840)</u>

See notes to financial statements.

FIRST PACIFIC SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First Pacific Securities, Inc. (the "*Company*"), a Hawaii Corporation, was formed on May 13, 1988, and is a wholly-owned subsidiary of Lee Financial Group, Inc., an investment management services organization. The Company is registered as a general securities broker-dealer with the Securities and Exchange Commission.

The Company has a distribution agreement with First Pacific Mutual Fund, Inc. (the "*Fund*"), a non-diversified open-end management investment company. Pursuant to Rule 12b-1 of the Investment Company Act of 1940, a distribution plan adopted by the Fund reimburses the Company for certain expenses incurred in distributing the Fund's shares.

Marketable securities are valued at market value. The resulting difference between cost and market is included in income.

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on accelerated methods for both book and tax purposes.

The Company is included in the consolidated federal and state income tax returns of its parent. Income taxes are provided for on a separate return basis only to the extent that income tax expense (credit) is incurred by the consolidated group. Although income tax expense was incurred by the consolidated group for the year ended September 30, 2004, no provision was allocated to the Company, due to the near break-even status of current year operations.

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

(2) REGULATORY REQUIREMENTS

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 (reserve requirement for brokers and dealers) in that the Company does not hold funds or securities for customers and it promptly transmits all funds and delivers all securities in connection with its activities as a broker or dealer.

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness. Net capital and the related net capital ratio may fluctuate on a daily basis. At September 30, 2004, the Company had net capital of \$12,819, and net capital requirements of \$5,000. The percentage of aggregate indebtedness to net capital was 7.33%.

TAIT, WELLER & BAKER

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors
First Pacific Securities, Inc.
Honolulu, Hawaii

In planning and performing our audit of the financial statements of First Pacific Securities, Inc. (the "*Company*") for the year ended September 30, 2004, we considered its internal control, including procedures 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.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13, or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 Commission'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.

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 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 internal control, including procedures 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 Commission 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 September 30, 2004, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purpose.

A handwritten signature in cursive script, reading "Tart Welton Baker".

Philadelphia, Pennsylvania
November 19, 2004