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6/8/2004



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SECURITIES AND COMMISSION  
Washington, D.C. 20549

|                          |                  |
|--------------------------|------------------|
| 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**

RECEIVED  
MAY 28 2004  
155  
SECTION  
WASH. D.C.

|                 |
|-----------------|
| SEC FILE NUMBER |
| 8- 31528        |

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 04/01/03 AND ENDING 03/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Riverside Securities, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
141 W. Jackson Blvd., Ste. 3620

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

(No. and Street)

Chicago, Illinois 60604  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Joran Zaro (312) 922-6777  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Dooley, Bradford R., CPA  
(Name - if individual, state last, first, middle name)

220 S. State Street, Chicago, Illinois 60604  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**  
JUN 09 2004

|                              |                              |
|------------------------------|------------------------------|
| <b>FOR OFFICIAL USE ONLY</b> | <b>THOMSON<br/>FINANCIAL</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)

OATH OR AFFIRMATION

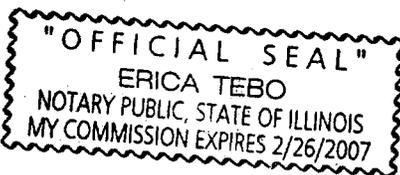
I, Jordan Zaro, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Riverside Securities, Inc., as of March 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

Sworn and subscribed to me on the 25<sup>th</sup> day of May, 2004.

[Signature]  
Signature  
CFO  
Title

Erica Tebo  
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).

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RIVERSIDE SECURITIES, INC.

FINANCIAL STATEMENTS

MARCH 31, 2004

(FILED PURSUANT TO RULE 17a-5(d)

UNDER THE SECURITIES EXCHANGE ACT

OF 1934)

BRADFORD R. DOOLEY & ASSOCIATES

*Accountants and Auditors*

220 SOUTH STATE STREET - SUITE 1910

CHICAGO, ILLINOIS 60604

*Member*  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS CPA SOCIETY

TELEPHONE  
(312) 939-0477

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(312) 939-8739

**INDEPENDENT AUDITOR'S REPORT**

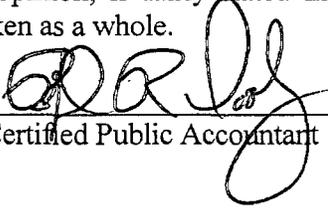
To the Board of Directors  
Riverside Securities, Inc.  
Chicago, Illinois 60604

I have audited the accompanying statement of financial condition of Riverside Securities, Inc. as of March 31, 2004, and the related statements of income (loss), changes in stockholder's equity and cash flows for the year 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside Securities, Inc. as of March 31, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
\_\_\_\_\_  
Certified Public Accountant

Chicago, Illinois  
May 25, 2004

**RIVERSIDE SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**AS OF MARCH 31, 2004**

| <b><u>ASSETS</u></b>   |                  |
|--|------------------|
| Cash   | \$ 14,731        |
| Receivables from brokers/dealers                                 | 9,783            |
| Receivable from stockholder                                      | 49,890           |
| Office equipment, net of accumulated<br>depreciation of \$31,623 | 251              |
| Other assets   | <u>11,413</u>    |
| Total assets   | <u>\$ 86,068</u> |

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

|                                       |          |
|---------------------------------------|----------|
| Accounts payable and accrued expenses | \$ 6,221 |
|---------------------------------------|----------|

**Stockholder's Equity**

|  |                  |
|--|------------------|
| Common stock, no par value, authorized<br>100,000 shares; issued and outstanding<br>1,000 shares | \$ 1,000         |
| Paid in capital  | 84,394           |
| Retained earnings (deficit)  | <u>(5,547)</u>   |
| Total stockholder's equity   | <u>79,847</u>    |
| Total liabilities and stockholder's equity   | <u>\$ 86,068</u> |

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

**RIVERSIDE SECURITIES, INC.**  
**STATEMENT OF INCOME (LOSS)**  
**FOR THE YEAR ENDED MARCH 31, 2004**

**Revenue**

|               |                |
|---------------|----------------|
| Commissions   | \$ 263,197     |
| Interest      | <u>2,499</u>   |
| Total revenue | <u>265,696</u> |

**Expenses**

|                                   |                 |
|-----------------------------------|-----------------|
| Compensation and related benefits | 100,912         |
| Clearing and execution charges    | 30,157          |
| Communication                     | 4,178           |
| Management fees                   | 88,507          |
| Occupancy                         | 2,824           |
| Other operating expenses          | <u>39,642</u>   |
| Total expenses                    | <u>266,220</u>  |
| Net income (loss)                 | <u>\$ (524)</u> |

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

**RIVERSIDE SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2004**

|                         | <u>Common<br/>Stock</u> | <u>Paid In<br/>Capital</u> | <u>Retained<br/>Earnings<br/>(Deficit)</u> | <u>Total<br/>Stockholder's<br/>Equity</u> |
|-------------------------|-------------------------|----------------------------|--|---|
| Balance, April 1, 2003  | \$ 1,000                | \$ 84,394                  | \$ (5,023)                                 | \$ 80,371                                 |
| Add: Net income (loss)  | <u>-0-</u>              | <u>-0-</u>                 | <u>(524)</u>                               | <u>(524)</u>                              |
| Balance, March 31, 2004 | <u>\$ 1,000</u>         | <u>\$ 84,394</u>           | <u>\$ (5,547)</u>                          | <u>\$ 79,847</u>                          |

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

**RIVERSIDE SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2004**

**Cash Flows From (To) Operating Activities:**

|   |            |            |
|---|------------|------------|
| Net income (loss)   | \$ (524)   |            |
| Adjustments to reconcile net income to net cash provided by operating activities: |            |            |
| Depreciation  | 2,146      |            |
| Changes in assets and liabilities:  |            |            |
| Receivables from broker/dealers   | (5,233)    |            |
| Other assets  | (3,427)    |            |
| Accounts payable and accrued expenses   | <u>354</u> |            |
| Net cash from (to) operating activities   |            | \$ (6,684) |

**Cash Flows From (Used in) Investing Activities:**

|  |               |        |
|--|---------------|--------|
| Decrease in receivable from shareholder      | <u>10,414</u> |        |
| Net cash from (used in) investing activities |               | 10,414 |

**Cash Flows From (To) Financing Activities:**

|                                 |  |                  |
|---------------------------------|--|------------------|
|                                 |  | <u>-0-</u>       |
| Net increase (decrease) in cash |  | 3,730            |
| Cash at beginning of year       |  | <u>11,001</u>    |
| Cash at end of year             |  | <u>\$ 14,731</u> |

Supplemental Information:

During the year the following amounts were paid for:

|                  |                 |
|------------------|-----------------|
| Interest expense | \$ <u>-0-</u>   |
| Income taxes     | \$ <u>1,230</u> |

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

**RIVERSIDE SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

(1) **ORGANIZATION AND GENERAL**

Riverside Securities, Inc. was incorporated in the State of Illinois on February 1, 1984. The Company is registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company's principal business is the sale of securities.

(2) **SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies which have been followed by Riverside Securities, Inc. in preparing the accompanying financial statements is set forth below.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

**Income Recognition**

Securities transactions and related revenue and expense are recorded on a trade date basis.

**Property and Equipment**

Furniture and equipment – Depreciation is provided using the straight line method over five and seven year periods. Maintenance and repair are charged to income as incurred.

**RIVERSIDE SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

**(3) RECEIVABLE FROM STOCKHOLDER**

The Company shareholder has borrowed \$49,890 from the Company. This unsecured receivable is due on demand. Interest was charged at the rate of four and one half (4 ½%) for the fiscal year ended March 31, 2004 in the amount of \$2,453.

At March 31, 2004, \$3,642 interest is due from the stockholder.

**(4) CLEARING AGREEMENT WITH OFF-BALANCE SHEET RISK**

Clearing Agreement – the Company has entered into an agreement with another broker/dealer (Clearing Broker/Dealer) whereby that broker/dealer will execute and clear securities transactions for the Company on a fully disclosed basis. Under the terms of the agreement, the Company is prohibited from entering into a similar agreement with another broker/dealer while this agreement is in effect.

The Company is obligated for nonperformance by customers it has introduced to the clearing broker. The Company actively monitors its exposure under this obligation by requesting substantiation of its customers' activities from the clearing broker on a daily basis. No such nonperformance by a customer, based on refusal or inability to fulfill its obligation, occurred during the period ended March 31, 2004.

**(5) RELATED PARTY TRANSACTIONS**

During the year ended March 31, 2004, the Company paid \$88,507 of management fees to Riverside Asset Management, Inc, (RAM), a company affiliated due to common stock ownership by the Company stockholder.

In addition, RAM was reimbursed \$3,324 for office rent and telephone provided to the Company. At March 31, 2004, there was \$831 outstanding due to the related company.

**(6) NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain "net capital" equivalent to \$5,000 or 6 2/3% of "aggregate indebtedness", whichever is greater as these terms are defined.

Net Capital and aggregate indebtedness change from day to day, but at March 31, 2004, the Company had net capital and net capital requirements of \$17,435 and \$5,000 respectively. The net capital rule may effectively restrict the payment of cash distributions.

RIVERSIDE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

(7) INCOME TAXES

The Company has available net operating loss carryforward as follows:

| Expires In The<br>Year Ended | <u>Amount</u>    |
|------------------------------|------------------|
| <u>March 31,</u><br>2022     | <u>\$ 20,321</u> |

This carryover is subject to review by the Internal Revenue Service.

**SUPPLEMENTARY SCHEDULES**

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

BROKER OR DEALER Riverside Securities, Inc.

as of 03/31/04

**COMPUTATION OF NET CAPITAL**

|  |                           |      |  |
|--|---------------------------|------|--|
| 1. Total ownership equity from Statement of Financial Condition .....                                    | \$ 79,847                 | 3480 |  |
| 2. Deduct ownership equity not allowable for Net Capital .....   | ▼ <sup>19</sup> ( )       | 3490 |  |
| 3. Total ownership equity qualified for Net Capital .....  | 79,847                    | 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 .....  | \$ 79,847                 | 3530 |  |
| 6. Deductions and/or charges:  |                           |      |  |
| A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) .....                 | ▼ <sup>17</sup> \$ 62,412 | 3540 |  |
| B. Secured demand note deficiency .....  |                           | 3590 |  |
| C. Commodity futures contracts and spot commodities-<br>proprietary capital charges .....                |                           | 3600 |  |
| D. Other deductions and/or charges .....   |                           | 3610 |  |
| 7. Other additions and/or allowable credits (List) .....   |                           | 3630 |  |
| 8. Net capital before haircuts on securities positions .....   | ▼ <sup>20</sup> \$ 17,435 | 3640 |  |
| 9. Haircuts on securities (computed, where applicable,<br>pursuant to 15c3-1 (f)):                       |                           |      |  |
| A. Contractual securities commitments .....  | \$                        | 3660 |  |
| B. Subordinated securities borrowings .....  |                           | 3670 |  |
| C. Trading and investment securities:  |                           |      |  |
| 1. Exempted securities .....   | ▼ <sup>18</sup>           | 3735 |  |
| 2. Debt securities .....   |                           | 3733 |  |
| 3. Options .....   |                           | 3730 |  |
| 4. Other securities .....  |                           | 3734 |  |
| D. Undue Concentration .....   |                           | 3650 |  |
| E. Other (List) .....  |                           | 3736 |  |
| 10. Net Capital .....  | \$ 17,435                 | 3750 |  |

OMIT PENNIES

| <u>Line 6A; Nonallowable Assets</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| Receivables form brokers            | \$ 858        |
| Receivable from stockholder         | 49,890        |
| Furniture and equipment, net        | 251           |
| Other assets                        | 11,413        |
| Total                               | \$ 62,412     |

There are no material modifications between this computation and the Company's unaudited filing.

See Auditor's Report.

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

**BROKER OR DEALER** Riverside Securities, Inc.

as of 03/31/04

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

|   |           |      |
|---|-----------|------|
| 11. Minimum net capital required (6-2/3% of line 19)  | \$ 415    | 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)  | \$ 12,435 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19)   | \$ 16,813 | 3780 |

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

|  |          |         |
|--|----------|---------|
| 16. Total A.I. liabilities from Statement of Financial Condition                         | \$ 6,221 | 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   | \$ 6,221 | 3840    |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)           | %        | 36 3850 |
| 21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)  | %        | 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 | \$ | 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 |
| 24. Net capital requirement (greater of line 22 or 23)   | \$ | 3760 |
| 25. Excess net capital (line 10 less 24)   | \$ | 3910 |
| 26. Net capital in excess of:  |    |      |
| 5% of combined aggregate debit items or \$120,000  | \$ | 3920 |

There are no material modifications between this computation and the Company's unaudited filing.

OMIT PENNIES

**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.

See Auditor's Report.

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

|                         |                            |                       |
|-------------------------|----------------------------|-----------------------|
| <b>BROKER OR DEALER</b> | Riverside Securities, Inc. | as of <u>03/31/04</u> |
|-------------------------|----------------------------|-----------------------|

**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 .....   |      |                                     | 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 <input type="checkbox"/> Terra Nova Trading, LLC | 4335 | <input checked="" type="checkbox"/> | 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<br>See below for code to enter | Name of Lender or Contributor | Insider or Outsider?<br>(In or Out) | Amount to be With-drawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY)<br>Withdrawal or Maturity Date | Expect to Renew<br>(yes or no) |      |
|---|-------------------------------|-------------------------------------|--|---|--------------------------------|------|
| ▼<br>31   | 4600                          | 4601                                | 4602   | 4603                                    | 4604                           | 4605 |
| ▼<br>32   | 4610                          | 4611                                | 4612   | 4613                                    | 4614                           | 4615 |
| ▼<br>34   | 4620                          | 4621                                | 4622   | 4623                                    | 4624                           | 4625 |
| ▼<br>35   | 4630                          | 4631                                | 4632   | 4633                                    | 4634                           | 4635 |
| ▼<br>36   | 4640                          | 4641                                | 4642   | 4643                                    | 4644                           | 4645 |
| ▼<br>37   | 4650                          | 4651                                | 4652   | 4653                                    | 4654                           | 4655 |
| ▼<br>38   | 4660                          | 4661                                | 4662   | 4663                                    | 4664                           | 4665 |
| ▼<br>39   | 4670                          | 4671                                | 4672   | 4673                                    | 4674                           | 4675 |
| ▼<br>40   | 4680                          | 4681                                | 4682   | 4683                                    | 4684                           | 4685 |
| ▼<br>41   | 4690                          | 4691                                | 4692   | 4693                                    | 4694                           | 4695 |
|   |                               |                                     | TOTAL \$ ▼<br>42   | 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 | See Auditor's Report. |

**BRADFORD R. DOOLEY & ASSOCIATES**

*Accountants and Auditors*

220 SOUTH STATE STREET - SUITE 1910  
CHICAGO, ILLINOIS 60604

*Member*  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS CPA SOCIETY

TELEPHONE  
(312) 939-0477

FAX  
(312) 939-8739

To the Board of Directors  
Riverside Securities, Inc.

In planning and performing my audit of the financial statements of Riverside Securities, Inc. for the year ended March 31, 2004, I considered its internal control structure, including procedures for safeguarding securities in order to determine my auditing procedures for the purpose of expressing my 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), I have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Riverside Securities, Inc. that I 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 the procedures 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, I 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 judgements 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 Commission'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 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 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.

My 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, my study and evaluation disclosed that a lack of segregation of functions exists. Although this condition may be considered to be a material weakness in internal control, it is a common condition in entities of this size. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in my audit of the financial statements of Riverside Securities, Inc. for the year ended March 31, 2004 and this report does not affect my report thereon dated May 25, 2004.

I 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 my study, I believe that the Company's practices and procedures were adequate at March 31, 2004 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. 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.

  
Certified Public Accountant

Chicago, Illinois  
May 25, 2004