

W 3-24-01

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

SEC FILE NUMBER  
8-32465



04016244

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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

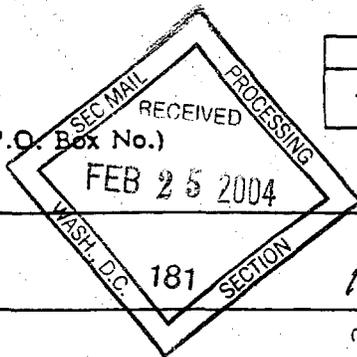
A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Whitestone Securities Inc.

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

26 Joy Drive



OFFICIAL USE ONLY  
FIRM ID. NO.

(No. and Street)

New Hyde Park

New York

181

11040

(City)

(State)

(Zip Code)

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

Anthony Pappas

(516) 365-0280

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Colabella & Company

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

1444 86<sup>th</sup> Street

Brooklyn

New York

11228

(Address)

(City)

(State)

Zip Code

CHECK ONE:

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

PROCESSED  
MAR 25 2004

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THOMSON FINANCIAL

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



**WHITESTONE SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2003**

**Assets**

***Current Assets***

Cash and cash equivalents	\$ 112,654
Restricted cash	50,000
Marketable securities	296,058
Marketable securities-private placement	6,300
Rent deposits	2,562
Commissions receivable	5,844
Prepaid expenses	2,046
<b>Total Current Assets</b>	<u>475,464</u>

***Property and equipment***

Furniture	955
Computer	3,237
<b>Total Property and Equipment</b>	<u>4,192</u>
Less: accumulated depreciation	<u>(4,192)</u>
<b>Property and equipment (net)</b>	<u>-</u>

**Total Assets** **\$ 475,464**

**Liabilities and Shareholders' Equity**

***Liabilities***

Accounts payable & accrued expenses	\$ 5,789
Deferred income taxes	48,416
<b>Total Liabilities</b>	<u>54,205</u>

***Shareholders' Equity***

Common stock	1,000
Additional paid-in capital	121,571
Retained earnings (Includes \$146,141 of unrealized gains)	298,688
<b>Total Shareholders' Equity</b>	<u>421,259</u>

**Total Liabilities and Shareholders' Equity** **\$ 475,464**

See Auditor's Report and Notes to Financial Statements

PATRICK R. COLABELLA C.P.A.  
managing partner

ANTHONY J. BONOMO C.P.A.  
partner

A. LYLE BAUER C.P.A.  
Manager



Certified Public Accountants

New York City  
1444 86th Street • Brooklyn, NY 11228  
Tel: (718) 234-0190  
Fax: (718) 234-0191

Orange County  
687 Mullock Road - Port Jervis, NY 12771  
Tel: (845) 355-1085

Nassau County  
69 Bruce Avenue - Hicksville, NY 11801  
Tel: (516) 933-1418

www.colabella.com

## REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL STRUCTURE AS REQUIRED BY SEC RULE 17a-5

To the Stockholders of  
Whitestone Securities, Inc.

In planning and performing our audit of the financial statements of Whitestone Securities, Inc. for the year ended December 31, 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 financial statements and not to provide assurance on the internal control structure.

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 17a-3 (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 function relating to customer securities.

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 Commissions 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.

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 elements does not reduce to a relatively low level the risk that errors or irregularities in the 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 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 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 December 31, 2003, 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.

*Colabella & Company*

Brooklyn, New York  
February 18, 2004