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OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 2004  
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hours per response..... 12.00

**ANNUAL AUDITED REPORT**

**FORM X-17A-5 FEB 24 2004**

**PART III**

SEC FILE NUMBER  
8-43627

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SPECTRUM CAPITAL, INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

6910 PACIFIC STREET, SUITE 214

(No. and Street)

OMAHA

NE

68106

(City)

(State)

(Zip Code)

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

MR. ROBERT GROW, PRESIDENT

(402) 333-1888

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

NICHOLS, RISE & COMPANY, L.L.P.

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

705 DOUGLAS STREET, SUITE 502, SIOUX CITY,

IA

51101

(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 16 2004

**FOR OFFICIAL USE ONLY**

THOMSON  
FINANCIAL

\*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)

6-15

## OATH OR AFFIRMATION

I, ROBERT C. GROW, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SPECTRUM CAPITAL, INC., as of DECEMBER 31, 20 03, 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

PRESIDENT

\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (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).

**SPECTRUM CAPITAL, INC.**

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## INDEPENDENT AUDITORS' REPORT

---

**Nichols, Rise &  
Company, L.L.P.**

Certified Public Accountants and Consultants

To the Board of Directors and Stockholders  
of Spectrum Capital, Inc.

We have audited the accompanying statement of financial condition of Spectrum Capital, Inc. as of December 31, 2003, and the related statements of income, 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. 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 of the financial statements 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 Spectrum Capital, Inc. at December 31, 2003, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, as listed in the index, 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 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.

*Nichols, Rise & Company, LLP*

Sioux City, Iowa  
February 11, 2004

*W. F. Sibley, CPA  
R. L. Stinger, CPA  
D. L. Lacey, CPA  
S. B. Bieber, CPA  
C. D. Merry, CPA  
R. W. Grenko, CPA  
L. M. Shoemaker,  
CPA, CMA*

*E. C. Nichols, CPA  
(1916-2003)  
C. L. Rise, CPA  
(1921-2003)*

*L. J. Tuttle, CPA  
S. R. Goodwin, CPA  
A. E. Hill, CPA  
A. J. Walchek, CPA  
R. R. Ericson, CPA  
L. K. Beecher, CPA  
M. A. Leische, CPA  
S. E. Boden  
P. M. Riemer  
D. L. Sands  
J. A. Theisen  
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*P. K. Peters  
V. A. Steenhoek  
C. R. Livermore*

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Division for  
Certified Public  
Accounting Firms*

*Member of  
Independent  
Accountants  
International*

**SPECTRUM CAPITAL, INC.**  
**STATEMENT OF FINANCIAL CONDITION**

December 31, 2003

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**ASSETS**

**Current Assets:**

Cash .....	\$ 93,382	
Commissions Receivable .....	145,975	
Receivable from Clearing Organization .....	39,809	
Deposit with Clearing Organization .....	100,000	
Prepaid Expenses .....	<u>32,274</u>	
		\$ 411,440

**Non-Compete Agreement, Net** ..... 127,083

**Furniture and Equipment, Net** ..... 62,359

**Goodwill** ..... 243,000

Total Assets ..... \$ 843,882

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Current Liabilities:**

Accounts Payable .....	\$ 6,607	
Commissions Payable .....	<u>243,480</u>	
		\$ 250,087

**Stockholder's Equity:**

Common Stock .....	15,000	
Paid-In Capital .....	448,000	
Retained Earnings .....	<u>130,795</u>	
		<u>593,795</u>

Total Liabilities and Stockholder's Equity ..... \$ 843,882

**SPECTRUM CAPITAL, INC.**  
**STATEMENT OF INCOME**

Year Ended December 31, 2003

---

**Revenues:**

Commissions .....	\$ 2,051,444	
Transaction Fees .....	127,323	
Interest .....	9,658	
Other .....	<u>15,568</u>	
		\$ 2,203,993

**Operating Expenses:**

Commission Expense .....	1,129,515	
Management Fee .....	651,656	
Transaction Clearing Expense .....	68,210	
Salaries, Payroll Taxes, and Benefits .....	93,765	
Insurance .....	5,641	
Depreciation and Amortization .....	32,242	
Professional Fees .....	17,069	
Office .....	19,645	
Licensing Fees .....	18,627	
Computer/Data Communications .....	29,280	
Rent .....	8,711	
Sales, Training, Marketing .....	5,419	
Other .....	<u>5,487</u>	
		<u>2,085,267</u>

**Net Income**

\$ 118,726

**SPECTRUM CAPITAL, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

Year Ended December 31, 2003

	Issued Shares	Common Stock	Paid-In Capital	Retained Earnings	Stockholder's Equity
<b>December 31, 2002</b> .....	100	\$ 15,000	\$ 10,000	\$ 243,212	\$ 268,212
Capital Contribution .....			438,000		438,000
Net Income .....				118,726	118,726
Dividends Paid .....				(231,143)	(231,143)
<b>December 31, 2003</b>	<u>100</u>	<u>\$ 15,000</u>	<u>\$ 448,000</u>	<u>\$ 130,795</u>	<u>\$ 593,795</u>

**Common Stock:**

Par Value - None  
 Authorized 20,000 Shares

**SPECTRUM CAPITAL, INC.**  
**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2003

---

**Cash Flows from Operating Activities:**

Net Income .....	\$ 118,726	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization .....	32,242	
Changes in Operating Assets and Liabilities:		
Receivables and Deposit .....	(161,035)	
Prepaid Expenses .....	(15,489)	
Accounts and Commissions Payable .....	<u>147,754</u>	
<b>Net Cash Provided by Operating Activities .....</b>		<b>\$ 122,198</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Furniture and Equipment .....	(58,774)	
Purchase of Non-Compete Agreement .....	(150,000)	
Purchase of Goodwill .....	<u>(243,000)</u>	
<b>Cash Used by Investing Activities .....</b>		<b>(451,774)</b>
<b>Cash Flows from Financing Activities:</b>		
Dividends Paid .....	(231,143)	
Capital Contribuiton .....	<u>438,000</u>	
<b>Cash Provided by Financing Activities .....</b>		<b><u>206,857</u></b>
<b>Net Change in Cash .....</b>		<b>(122,719)</b>
Cash - Beginning of Year .....		<u>216,101</u>
<b>Cash - December 31,</b>		<b><u><u>\$ 93,382</u></u></b>

## NOTES TO FINANCIAL STATEMENTS

### ORGANIZATION AND OPERATIONS

Spectrum Capital, Inc. is an introducing broker-dealer registered with the National Association of Securities Dealers (NASD). The Company is engaged in the sale of mutual funds, stocks, bonds, variable annuities, and variable universal life insurance. The Company executes and clears trades through an unaffiliated brokerage firm on a fully disclosed basis.

The Company was a wholly owned subsidiary of Spectrum Financial Services, Inc., until July 15, 2003, when it became a wholly owned subsidiary of Premier Financial, Inc. At that time, the Company acquired other assets from Spectrum Financial Services, Inc. The purchase of these other assets for \$438,000 was funded by a contribution of capital of the same amount by Premier Financial, Inc.

### ACCOUNTING POLICIES

#### Accounting Method

The financial statements are prepared on the accrual basis of accounting. Commission income is recorded on a trade-date basis.

#### Depreciation and Amortization

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets.

#### Income Taxes

The Company is included in the consolidated income tax return of its present parent company. No provision for income taxes has been made in the accompanying financial statements because the Company has elected to be taxed as a "qualified sub-chapter S subsidiary." Under this election, the Company's net income is reported by the shareholders of the parent company on their individual returns. Before July 15, 2003, the former parent company made no charge to the Company for its share of income taxes.

#### Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's estimates and judgments.

### NON-COMPETE AGREEMENT, NET

The non-compete agreement is being amortized over its three-year life using the straight-line method. Amortization expense for 2003 is \$22,917.

Cost .....	\$ 150,000
Accumulated Amortization .....	<u>(22,917)</u>
Book Value, December 31, 2003	<u>\$ 127,083</u>

**FURNITURE AND EQUIPMENT, NET**

Furniture and equipment are as follows:

	<u>Estimated Lives</u>	<u>Cost</u>	<u>Net Investment</u>
Computer Equipment .....	5 years	\$ 33,258	\$ 27,873
Office Furniture and Equipment .....	7 years	13,473	12,672
Computer Software .....	3-5 years	<u>27,257</u>	<u>21,814</u>
		<u>\$ 73,988</u>	<u>\$ 62,359</u>

Depreciation expense is \$9,325 for 2003. Accumulated depreciation at December 31, 2003, is \$11,629.

**GOODWILL**

Goodwill arises from the purchase of assets from the former parent company. The purchase cost in excess of the fair value of tangible and identifiable intangible assets is recorded as goodwill. SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill not be amortized, but that it be reviewed annually for impairment. If, based on these reviews, goodwill is found to be impaired, the carrying value will be adjusted through a charge to earnings. Management believes that there has been no impairment of goodwill.

Cost and Carrying Value	<u>\$ 243,000</u>
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**NET CAPITAL AND NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires maintenance of minimum net capital of \$50,000 and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$95,060 and a net capital ratio of 2.6 to 1.

**RELATED PARTY TRANSACTIONS**

The parent companies charged the Company for certain costs incurred by them for its benefit. These charges totaled \$651,656 during the year ended December 31, 2003.

**OPERATING LEASES**

The Company leases its office space under a lease ending November 30, 2008, which calls for monthly rent of \$2,439. It also leases various equipment for a total of \$503 per month under leases ending in 2006 and 2007.

Minimum lease payments for the next five years are as follows:

2004 .....	\$ 35,303
2005 .....	35,303
2006 .....	34,050
2007 .....	31,356
2008 .....	26,825

Total rent expense for all operating leases is \$8,711 in 2003.

## **FINANCIAL INSTRUMENTS AND CREDIT CONCENTRATION RISKS**

The Company utilizes a carrying broker to execute and settle securities transactions on behalf of the Company's customers. In the event that a Company customer is unable to fulfill his contractual obligations, the Company is required to indemnify the carrying broker for any loss suffered.

Bank balances often exceed the FDIC insured limit of \$100,000.

Approximately one-third of the Company's representatives are employed by a group of affiliated banks.

**SUPPLEMENTAL INFORMATION**

**SPECTRUM CAPITAL, INC.**

**RECONCILIATION OF NET CAPITAL AND RESERVE REQUIREMENT COMPUTATIONS**

December 31, 2003

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**Reconciliation of Net Capital**

Net Capital Per Unaudited FOCUS Report - December 31, 2003 ..... \$ 95,060

**Audit Adjustments:**

None .....           

Net Capital Per Audited FOCUS Report - December 31, 2003 ..... \$ 95,060

**Reserve Requirement**

The Company is exempt from the reserve requirement's under rule 15c-3-3 of the Securities and Exchange Commission because all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2005
Estimated average burden hours per response.....	12.00

# Form X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## PART IIA 12

*(Please read instructions before preparing Form.)*

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a)  16

2) Rule 17a-5(b)  17

3) Rule 17a-11  18

4) Special request by designated examining authority  19

5) Other  26 17a-5(d)

NAME OF BROKER-DEALER

SEC FILE NO.

8-43627 14

SPECTRUM CAPITAL, INC. 13

FIRM I.D. NO.

28303 15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

6910 PACIFIC STREET, SUITE 214 20

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/03 24

(No. and Street)

AND ENDING (MM/DD/YY)

OMAHA 21 NEBRASKA 22 68106 23

12/31/03 25

(City)

(State)

(Zip Code)

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

(Area Code) — Telephone No.

ROBERT C. GROW, PRESIDENT 30

(402) 333-1888 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

Manual signatures of:

1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who 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.

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

NICHOLS, RISE & COMPANY, L.L.P.

70

ADDRESS

705 DOUGLAS ST., STE. 502

71

SIOUX CITY

72

IOWA

73

51101

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States  
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER SPECTRUM CAPITAL, INC.	N3			100
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### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY)	12/31/03	99
SEC FILE NO.	8-43627	98
Consolidated	<input type="checkbox"/>	198
Unconsolidated	<input checked="" type="checkbox"/>	199

	Allowable		Non-Allowable		Total
1. Cash	93,382	200			93,382 750
2. Receivables from brokers or dealers:					
A. Clearance account	39,809	295			
B. Other	100,000	309		550	139,809 810
3. Receivable from non-customers	111,956	355	34,019	600	145,975 830
4. Securities and spot commodities owned at market value:					
A. Exempted securities		418			
B. Debt securities		419			
C. Options		420			
D. Other securities		424			
E. Spot commodities		430			850
5. Securities and/or other investments not readily marketable:					
A. At cost \$	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 \$	150				
B. Other securities \$	160				
7. Secured demand notes: Market value of collateral:	470		640		890
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		670		910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490		62,359	680	62,359 920
11. Other assets	535		402,357	735	402,357 930
12. TOTAL ASSETS	345,147	540	498,735	740	843,882 940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **SPECTRUM CAPITAL, INC.**

as of 12/31/03

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

#### LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	\$ 1045	\$ 1255 <sup>13</sup>	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115 <sup>10</sup>	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	250,087	1385	250,087
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211 <sup>12</sup>	1390 <sup>14</sup>	1700
19. E. 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 from outsiders \$	990	1410	1720
C. Pursuant to secured demand note collateral agreements:			
1. from outsiders \$	1000		
2. includes equity subordination (15c3-1(d)) of \$	1010	1420	1730
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	\$ 250,087	\$ 1450	\$ 250,087
<b>Ownership Equity</b>			
21. Sole Proprietorship			1770 <sup>15</sup>
22. Partnership (limited partners)	(\$ 1020)		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock		15,000	1792
C. Additional paid-in capital		448,000	1793
D. Retained earnings		130,795	1794
E. Total		593,795	1795
F. Less capital stock in treasury		(1796) <sup>16</sup>	1796
24. TOTAL OWNERSHIP EQUITY			\$ 593,795
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 843,882

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

as of 12/31/03

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	593,795	3480	
2. Deduct ownership equity not allowable for Net Capital .....	19	( )	3490	
3. Total ownership equity qualified for Net Capital .....		593,795	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 .....	\$	593,795	3530	
6. Deductions and/or charges:				
A. Total non-allowable assets from				
Statement of Financial Condition (Notes B and C) .....	17	\$ 498,735	3540	
B. Secured demand note delinquency .....			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) .....		( 498,735 )	3620	
8. Net capital before haircuts on securities positions .....	20	\$	95,060	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 .....			3734	
D. Undue Concentration .....			3650	
E. Other (List) .....			3736	3740
10. Net Capital .....	\$	95,060	3750	

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER SPECTRUM CAPITAL, INC.

as of 12/31/03

### COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$	16,672	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) .....	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	50,000	3760
14. Excess net capital (line 10 less 13) .....	\$	45,060	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	70,051	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	250,087	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
18. Total aggregate indebtedness .....	\$	250,087	3840
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	%	2.63	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	0	3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

21. 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 .....	\$	3970	
22. 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
23. Net capital requirement (greater of line 21 or 22) .....	\$	3970	3760
24. Excess capital (line 10 less 23) .....	\$	3910	3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000 .....	\$	3920	3920

**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 $\frac{2}{3}$ % of aggregate indebtedness or 4% 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.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **SPECTRUM CAPITAL, INC.**

For the period (MMDDYY) from 01/01/03 <sup>3932</sup> to 12/31/03 <sup>3933</sup>  
 Number of months included in this statement 12 <sup>3931</sup>

### 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 .....			3938
c. All other securities commissions .....		136,472	3939
d. Total securities commissions .....		136,472	3940
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 .....			3952
4. Profit (loss) from underwriting and selling groups .....			3955
5. Revenue from sale of investment company shares .....		1,914,972	3970
6. Commodities revenue .....			3990
7. Fees for account supervision, investment advisory and administrative services .....			3975
8. Other revenue .....		152,549	3995
9. Total revenue .....	\$	2,203,993	4030

#### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers .....			
11. Other employee compensation and benefits .....		93,765	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 .....		18,627	4195
15. Other expenses .....		1,972,875	4100
16. Total expenses .....	\$	2,085,267	4200

#### NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....			
18. Provision for Federal income taxes (for parent only) .....		118,726	4210
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....			4220
a. After Federal income taxes of .....	4338		
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 .....	\$	118,726	4230

#### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....			
	\$		4211

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER      SPECTRUM CAPITAL, INC.

For the period (MMDDYY) from 01/01/03 to 12/31/03

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

1. Balance, beginning of period .....	\$	268,212	4240
A. Net income (loss) .....		118,726	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
		438,000	4260
2. Balance, end of period (From item 1800) .....	\$	593,795	4290

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

3. Balance, beginning of period .....	\$	0	4300
A. Increases .....			4310
B. Decreases .....			4320
		0	4330
4. Balance, end of period (From item 3520) .....	\$		4330

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **SPECTRUM CAPITAL, INC.**

as of 12/31/03

### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 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.<br>Name of clearing firm <sup>30</sup> <u>PERSHING, L.L.C.</u> <span style="float: right; border: 1px solid black; padding: 0 5px;">4335</span> | X 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) .....   | 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)	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)	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
33	4620	4621	4622	4623	4624	4625
34	4630	4631	4632	4633	4634	4635
35	4640	4641	4642	4643	4644	4645
Total \$ <sup>36</sup>			0	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 anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

<b>WITHDRAWAL CODE:</b>	<b>DESCRIPTIONS</b>
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

**SPECTRUM CAPITAL, INC.**  
**SCHEDULE OF NON-ALLOWABLE ASSETS**

December 31, 2003

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**Non-Allowable Assets:**

Receivables from Non-Customers:		
Non-Allowable Commissions by Date or Product Type .....	\$ 56,935	
Less Related Payables .....	(45,003)	
Receivable from Representatives .....	21,492	
Other Receivables .....	<u>595</u>	\$ 34,019
Furniture and Equipment, Net .....		62,359
Other Assets:		
Goodwill .....	243,000	
Non-Compete Agreement, Net .....	127,083	
Prepaid Expenses .....	<u>32,274</u>	
		<u>402,357</u>
Total Non-Allowable Assets		\$ <u>498,735</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING  
CONTROL REQUIRED BY SEC RULE 17a-5**

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**Nichols, Rise &  
Company, L.L.P.**

Certified Public Accountants and Consultants

To the Board of Directors  
Spectrum Capital, Inc.

In planning and performing our audit of the financial statements of Spectrum Capital, Inc. for the year ended August 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

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 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 SEC'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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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 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 components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

*W. F. Sibley, CPA  
R. L. Slinger, CPA  
D. L. Lacey, CPA  
S. B. Bieber, CPA  
C. D. Merry, CPA  
R. W. Grenko, CPA  
L. M. Shoemaker,  
CPA, CMA*

*E. C. Nichols, CPA  
(1916-2003)  
C. L. Rise, CPA  
(1921-2003)*

*L. J. Tuttle, CPA  
S. R. Goodwin, CPA  
A. E. Hill, CPA  
A. J. Walchek, CPA  
R. R. Ericson, CPA  
L. K. Beecher, CPA  
M. A. Letsche, CPA  
S. E. Boden  
P. M. Riemer  
D. L. Sands  
J. A. Theisen  
J. A. Perez*

*P. K. Peters  
V. A. Steenhoek  
C. R. Livermore*

*Member of AICPA  
Division for  
Certified Public  
Accounting Firms*

*Member of  
Independent  
Accountants  
International*

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and the practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

*Nichols, Rice & Company, LLP*

Sioux City, Iowa  
February 11, 2004