

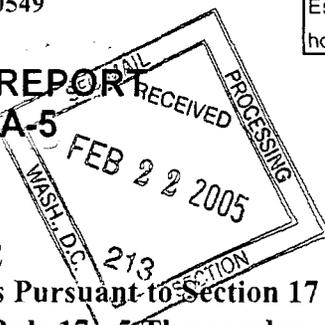
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



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 '01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Udata Securities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

125 Half Mile Road

(No. and Street)

Red Bank

New Jersey

07701

(City)

(State)

(Zip Code)

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

Ira Cohen

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Rothstein, Kass & Company, P.C.

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

85 Livingston Avenue

Roseland

New Jersey

07068

(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 11 2005  
THOMSON FINANCIAL

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

SEC 1410 (06-02)

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**UPDATA SECURITIES, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2004**

# UPDATA SECURITIES, INC.

## CONTENTS

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**Independent Auditors' Report**

1

**Financial Statements**

Statement of Financial Condition

2

Notes to Financial Statements

3-5



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Updata Securities, Inc.

We have audited the accompanying statement of financial condition of Updata Securities, Inc. (the "Company") as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Updata Securities, Inc. as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
February 1, 2005

# UPDATA SECURITIES, INC.

## STATEMENT OF FINANCIAL CONDITION

December 31, 2004

### ASSETS

Cash	\$	339,652
Prepaid expenses		<u>2,826</u>
	\$	<u>342,478</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Liabilities

Accrued expenses	\$	8,500
Due to parent		<u>200,000</u>
Total liabilities		<u>208,500</u>

#### Stockholder's equity

Common stock, \$0.10 par value, authorized 1,000 shares issued and outstanding 1 share		-
Capital in excess of par value		416,533
Accumulated deficit		<u>(282,555)</u>
Total stockholder's equity		<u>133,978</u>
	\$	<u>342,478</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

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**1. Nature of business**

Udata Securities, Inc. (the "Company"), a wholly owned Subsidiary of Udata Capital, Inc. (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission (SEC) pursuant to section 15(b) of the Securities Exchange Act of 1934. The Company is also a member of the National Association of Securities Dealers, Inc. (NASD). The Company's operations consist primarily of private placement of securities and corporate finance advisory services.

**2. Summary of significant accounting policies**

*Financial Advisory Service Revenues*

Financial advisory service revenues are recognized as earned in accordance with the terms of the advisory service agreements.

*Income Taxes*

The Company's Parent has elected to treat the Company as an "S" Corporation. As such, the Parent is liable for the federal and substantially all state tax on corporate income and receives the benefit of the corporate loss.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

**3. Net capital requirement**

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1, in the initial year of operations and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company's net capital was approximately \$131,000, which was approximately \$105,000 in excess of its minimum requirement of approximately \$26,000.

**4. Concentrations of credit risk**

The Company maintains its cash balances in various financial institutions. These balances at times may exceed the amounts insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. Management does not anticipate any losses as a result of this concentration.

NOTES TO FINANCIAL STATEMENTS

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**5. Exemption from Rule 15c3-3**

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision of sub-paragraph (k)(2)(i) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

**6. Related party transactions**

Pursuant to an administrative service agreement (the "Agreement") between the Company and its Parent, the Company pays a monthly administrative fee for utilizing certain resources of the Parent. The Company was charged approximately \$547,000 for the year ended December 31, 2004 under the Agreement. As of December 31, 2004 approximately \$200,000 of these expenses remain payable to the Parent.

**7. Major customer**

The Company generated substantially all of its revenues from two customers during the year ended December 31, 2004.