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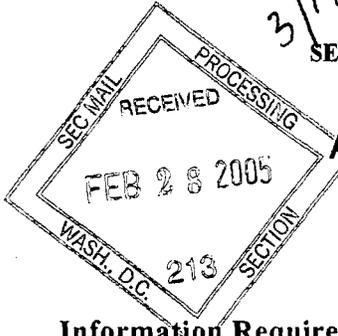


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-45660

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: BALLEW INVESTMENTS, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

4800 I-55 North, Suite 21

(No. and Street)

Jackson, MS 39211

(City)

(State)

(Zip Code)

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

C. BROOKS MOSLEY 601/368-3500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SMITH, TURNER & REEVES

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

200 E. Capitol St., Suite 100, Jackson, MS 39225

(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 17 2005

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)

SEC 1410 (06-02)

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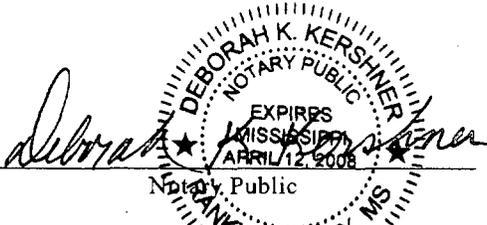
OATH OR AFFIRMATION

I, C. Brooks Mosley, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Ballew Investments, Inc., as of 12/31, 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:

Clyde Des Mosley
Signature

Vice President - Financial Operations

Title



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).

BALLEW INVESTMENTS, INC.

**AUDITED FINANCIAL STATEMENTS
AND SCHEDULES**

DECEMBER 31, 2004 AND 2003

BALLEW INVESTMENTS, INC.

**AUDITED FINANCIAL STATEMENTS
AND SCHEDULES**

DECEMBER 31, 2004 AND 2003

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Jackson, MS 39225-3027

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Board of Directors
Ballew Investments, Inc.
Jackson, Mississippi

Independent Auditors' Report

We have audited the accompanying statements of financial condition of Ballew Investments, Inc. (a wholly-owned subsidiary of Security Ballew, Inc.) as of December 31, 2004 and 2003, and the related statements of operations, changes in stockholder's equity and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Ballew Investments, Inc. at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The 2004 and 2003 information contained in Schedules I and II 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 our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



January 28, 2005

FINANCIAL STATEMENTS

BALLEW INVESTMENTS, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 53,442	\$ 86,371
Commissions receivable	25,947	26,520
Due from affiliate	<u>48,645</u>	<u>45,414</u>
	<u>\$ 128,034</u>	<u>\$ 158,305</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:

Accounts payable and accrued expenses	\$ 8,746	\$ 25,093
---------------------------------------	----------	-----------

STOCKHOLDER'S EQUITY:

Common Stock, \$.01 par value:		
Authorized - 1,000,000 shares		
Issued and outstanding - 10,000 shares	100	100
Additional paid-in capital	59,900	59,900
Retained earnings	<u>59,288</u>	<u>73,212</u>
	<u>119,288</u>	<u>133,212</u>
	<u>\$ 128,034</u>	<u>\$ 158,305</u>

See accompanying Notes to Financial Statements.

BALLEW INVESTMENTS, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUES:		
Commission and fee income	\$ 657,026	\$ 1,195,171
Interest income	<u>322</u>	<u>307</u>
	657,348	1,195,478
EXPENSES - Note 3:		
Commissions	183,576	1,133,130
General and administrative	<u>491,427</u>	<u>102,864</u>
	<u>675,003</u>	<u>1,235,994</u>
INCOME (LOSS) BEFORE INCOME TAXES	(17,655)	(40,516)
INCOME TAX EXPENSE (BENEFIT) - Note 4	<u>(3,731)</u>	<u>(8,522)</u>
NET INCOME (LOSS)	<u>\$ (13,924)</u>	<u>\$ (31,994)</u>

See accompanying Notes to Financial Statements.

BALLEW INVESTMENTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholder's Equity</u>
Balance at December 31, 2002	\$ 100	\$ 59,900	\$ 105,206	\$ 165,206
Net loss - 2003	<u>-</u>	<u>-</u>	<u>(31,994)</u>	<u>(31,994)</u>
Balance at December 31, 2003	100	59,900	73,212	133,212
Net loss - 2004	<u>-</u>	<u>-</u>	<u>(13,924)</u>	<u>(13,924)</u>
Balance at December 31, 2004	<u>\$ 100</u>	<u>\$ 59,900</u>	<u>\$ 59,288</u>	<u>\$ 119,288</u>

See accompanying Notes to Financial Statements.

BALLEW INVESTMENTS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	\$ (13,924)	\$ (31,994)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Changes in operating assets and liabilities:		
(Increase) decrease in commissions receivable	573	(26,402)
(Increase) decrease in due from affiliate	(3,231)	(8,522)
Increase (decrease) in accounts payable and accrued expenses	<u>(16,347)</u>	<u>14,585</u>
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(32,929)</u>	<u>(52,333)</u>
NET INCREASE (DECREASE) IN CASH	(32,929)	(52,333)
CASH, BEGINNING OF YEAR	<u>86,371</u>	<u>138,704</u>
CASH, END OF YEAR	<u>\$ 53,442</u>	<u>\$ 86,371</u>

See accompanying Notes to Financial Statements.

BALLEW INVESTMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Ownership

Ballew Investments, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company is located in Jackson, Mississippi and engages primarily in the business of selling variable life insurance and annuity products, mutual funds and securities traded on various exchanges. The Company has clients throughout the United States, the majority of which are located in the South and Southeast.

The Company is a wholly-owned subsidiary of Security Ballew, Inc. (Security Ballew). Through December 30, 2004, Security Ballew was a wholly-owned subsidiary of Highland Capital Holding Corporation located in Birmingham, Alabama. At that time, SB Holding Company, Inc. (SB Holding), a Mississippi Corporation, purchased 100% of Security Ballew. The Company and SB Holding are under common management.

Recognition of Commission and Fee Income

Commission income on variable life insurance and annuity products are recognized as revenues when due from the policy issuer. Commission income on securities transactions is recognized on the trade date.

Subordinated Borrowings

The Company had no borrowings under subordination agreements at December 31, 2004 or 2003.

Use of 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.

NOTE 2 - NET CAPITAL REQUIREMENT

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change from day to day. At December 31, 2004 and 2003, the Company's aggregate indebtedness to net capital was .124 to 1 and .287 to 1, respectively.

The net capital requirement at December 31, 2004 and 2003, follows:

	<u>2004</u>	<u>2003</u>
Minimum net capital required - greater of \$5,000 or 6.67% of aggregate indebtedness	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital computed using regulatory agency requirements	<u>\$ 70,643</u>	<u>\$ 87,583</u>
Excess net capital	<u>\$ 65,643</u>	<u>\$ 82,583</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company paid commissions totaling \$151,524 and \$1,096,266, respectively, for the years ended December 31, 2004 and 2003, to its representatives who are officers of Security Ballew. The amount of commissions and bonuses paid was determined by the Management of Security Ballew, who has the ability to affect the results of operations of the Company.

Through 2003, management and certain administrative services were provided by Security Ballew's officers and employees, and the costs of certain employee benefits and office space were also absorbed by Security Ballew. For the year ended December 31, 2004, these costs, totaling \$389,255, were charged to the Company in the form of a management fee.

NOTE 4 - INCOME TAXES

The Company, for income tax purposes, is included in the consolidated tax return of Highland Capital Holding Corporation. For financial statement purposes, the Company computes its income tax by applying the statutory rate to its pretax income reported in the financial statements (separate return method).

NOTE 4 - INCOME TAXES (CONTINUED)

The provision for income taxes, which is currently payable or (receivable), consists of the following:

	<u>2004</u>	<u>2003</u>
Federal	\$ (2,546)	\$ (5,646)
State	<u>(1,185)</u>	<u>(2,876)</u>
	<u>\$ (3,731)</u>	<u>\$ (8,522)</u>

BALLEW INVESTMENTS, INC.
SCHEDULE I - COMPUTATION OF NET CAPITAL REQUIREMENT
UNDER SEC RULE 15c3-1
DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
NET CAPITAL:		
Total stockholder's equity from statements of financial condition	\$ 119,288	\$ 133,212
Deduction for nonallowable assets:		
12b-1 fees receivable	-	(215)
Due from affiliate	<u>(48,645)</u>	<u>(45,414)</u>
Net capital	<u>\$ 70,643</u>	<u>\$ 87,583</u>
AGGREGATE INDEBTEDNESS:		
Total aggregate indebtedness from statements of financial condition	<u>\$ 8,746</u>	<u>\$ 25,093</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:		
Minimum net capital required - greater of \$5,000 or 6.67% of aggregate indebtedness	<u>\$ 5,000</u>	<u>\$ 5,000</u>
EXCESS NET CAPITAL	<u>\$ 65,643</u>	<u>\$ 82,583</u>
RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>.124 to 1</u>	<u>.287 to 1</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 a of December 31, 2004)		
Net capital, as reported in Company's Part II (unaudited) FOCUS Report	\$ 79,388	
Audit adjustments to record additional compensation and commissions	(8,746)	
Rounding	<u>1</u>	
Net capital per above	<u>\$ 70,643</u>	

BALLEW INVESTMENTS, INC.
SCHEDULE II - COMPUTATION FOR THE DETERMINATION
OF THE RESERVE REQUIREMENTS UNDER SEC
RULE 15c3-3 AND INFORMATION RELATING TO
POSSESSION OR CONTROL REQUIREMENTS UNDER
SEC RULE 15c3-3
YEARS ENDED DECEMBER 31, 2004 AND 2003

EXEMPTION UNDER SECTION (k)(2)(ii) HAS BEEN CLAIMED

The Company is not required to file the above schedules as it has claimed exemption from Securities and Exchange Commission Rule 15c3-3 under Paragraph (k)(2)(ii) of the rule, as the broker-dealer is an introducing broker-dealer who clears all transactions on a fully-disclosed basis through a clearing broker-dealer and promptly transmits all customer funds and securities to the clearing firm which carries all the customer accounts and maintains the appropriate books and records.

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Board of Directors
Ballew Investments, Inc.
Jackson, Mississippi

Independent Auditors' Report on Internal Accounting Required by SEC Rule 17a-5

In planning and performing our audit of the financial statements and supplemental schedules of Ballew Investments, Inc. (the Company) for the year ended December 31, 2004, 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 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 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.

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 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, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, Management, the SEC and other regulatory agencies that 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.

Smyth, Juma & Reeves

January 28, 2005