BB 3/15

05038346

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response	12.00

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

RECEIVED
FEB 28 2005
SEC MAIL PROCESSING SECTION
WASH., D.C. 213

SEC FILE NUMBER
8-51522

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 1/1/2004 (MM/DD/YY) AND ENDING 12/31/2004 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Monitor Capital, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

9171 Towne Centre Drive, #465
(No. and Street)

San Diego, CA 92122
(City) (State) (Zip Code)

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

Mr. Hsiao-Wen Kao (858) 546-8007
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sonnenberg & Company
(Name – *if individual, state last, first, middle name*)

5190 Governor Drive, #201 - San Diego, CA 92122
(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 23 2005
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

**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)

Potential persons who are to 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.

OATH OR AFFIRMATION

I, Mr. Hsiao-Wen Kao, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Monitor Capital, Inc., as of February 23, 20 04, 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:

LORI J. MAGUIRE
Commission # 1434840
Notary Public - California
San Diego County
My Comm. Expires Aug 13, 2007

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).*

Sonnenberg & Company CPA
• AUDITS • TAXES •
RESERVE STUDIES

Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX

Sonnenberg & Company
30
YEARS IN
PRACTICE

Leonard C. Sonnenberg, CPA

MONITOR CAPITAL, INC.
Audited Financial Statements
Year Ended December 31, 2004

MONITOR CAPITAL, INC.
December 31, 2004

TABLE OF CONTENTS

Sonnenberg & Company CPA • AUDITS • TAXES • RESERVE STUDIES

Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX

Sonnenberg & Company 30 YEARS IN PRACTICE

Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Monitor Capital, Inc.

We have audited the accompanying statements of financial condition of Monitor Capital, Inc. (the Company), as of December 31, 2004, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 of 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 U. S. generally accepted auditing standards. 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I on page 10 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 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.

February 4, 2005

Sonnenberg & Company, CPAs

MONITOR CAPITAL, INC.
STATEMENT OF FINANCIAL CONDITION
December 31, 2004

ASSETS

Current Assets:		
Cash and Cash Equivalents	$ 1,282	
Commissions Receivable	8,864	
Related Party Receivables	11,421	
Prepaid Expenses and Other Assets	1,360	
Deferred Tax Assets	4,400	
Total Current Assets		$ 27,327
Fixed Assets:		
Property and Equipment	$ 5,242	
Less: Accumulated Depreciation	(5,242)	
Total Fixed Assets		$ 0
Other Assets:		
Securities Owned	$ 86,721	
Marketable Securities	22,012	
Restricted Cash	40,225	
Total Other Assets		$ 148,958
Total Assets		$ 176,285

LIABILITIES AND CAPITAL

Liabilities:		
Accounts Payable and Accrued Expenses	$ 10,468	
Related Party Payables	19,467	
Income Taxes Payable	800	
Total Liabilities		$ 30,735
Capital:		
Common Stock, $.01 Par Value, 1,500 Shares Authorized, Issued, and Outstanding	$ 15	
Additional Paid-In Capital	163,985	
Retained Earnings (Deficit)	(18,450)	
Total Capital		$ 145,550
Total Liabilities and Capital		$ 176,285

See Accompanying Notes to Financial Statements

MONITOR CAPITAL, INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2004

Revenues:				
Commission Income	$	98,936		
Investment Income		28,183		
Interest Income		628		
Total Income			$	127,747
Expenses:				
Bank Service Charges	$	138		
Commission Expenses		31,644		
Depreciation		67		
Dues and Subscriptions		1,110		
Insurance		19,619		
NASD Expense		6,433		
Office Supplies		1,002		
Outside Services		13,797		
Parking		420		
Postage and Delivery		148		
Professional Fees		6,885		
Rent		12,000		
Repairs		131		
Salaries		53,618		
State Registration		50		
Taxes		319		
Telephone		87		
Travel and Entertainment		3,928		
Unrealized Losses		1,797		
Total Expenses				153,193
Net Income			$	(25,446)
Retained Earnings, January 1, 2004			$	6,996
Retained Earnings (Deficit), December 31, 2004			$	(18,450)

See Accompanying Notes to Financial Statements

MONITOR CAPITAL, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2004

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
Balance, December 31, 2003	$ 15	$ 163,985	$ 6,996	$ 170,996
Additional Paid-In Capital				0
Net Income (Loss)			(25,446)	(25,446)
Balance, December 31, 2004	$ 15	$ 163,985	$ (18,450)	$ 145,550

See Accompanying Notes to Financial Statements

MONITOR CAPITAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

Cash Flows from Operating Activities:				
Net Income (Loss)			$	(25,446)
Adjustments to Reconcile Net Income to				
Net Cash Provided (Used) by Operations:				
Add Back Non-Cash Expense - Depreciation				
Depreciation	$	67		
Decrease/(Increase) in:				
Commissions Receivable		9,127		
Prepaid Expenses and Other Assets		2,999		
Restricted Cash		9,775		
Increase/(Decrease) in:				
Accounts Payable and Accrued Expenses		175		
Related Party Payables		4,304		
				26,447
Net Cash Provided by Operations			$	1,001
Cash Provided (Used) by Investing Activities:				
Securities Owned			$	7,244
Marketable Securities				(22,012)
Net Cash Provided (Used) by Investing Activities			$	(14,768)
Net Increase (Decrease) in Cash			$	(13,767)
Total Cash, January 1, 2004			$	15,049
Total Cash, December 31, 2004			$	1,282
Supplemental Disclosures:				
Income Taxes Paid			$	319

See Accompanying Notes to Financial Statements

MONITOR CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

Note 1. Organization and Nature of Business:

Monitor Capital, Inc. (the Company) is a Delaware corporation formed on December 9, 1998. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and of the National Association of Securities Dealers.

The Company is a wholly owned subsidiary of Summit Global Management, Inc., (the Parent).

Note 2. Summary of Significant Accounting Policies:

The Company records its assets, liabilities, income, and expenses on the accrual basis in accordance with U. S. generally accepted accounting principles.

Proprietary securities transactions are recorded on the trade date. Profit and loss arising from securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. The Company cleared customers' security transactions on a fully disclosed basis through Western Securities Clearing Corporation (WSCC) until June 29, 2004, and currently through Northeast Securities Incorporated (NESEC). WSCC and NESEC received customer securities and funds. On an agency basis, WSCC and NESEC also executed securities transactions on national securities exchanges.

The clearing agreements were collateralized by a deposit with Bear Stearns Securities Corporation owned by the Company. The amount of the restricted investment was $40,225 at December 31, 2004.

Marketable securities are valued at market value.

Note 3. Commissions:

Commission revenues and expenses are recognized on a settlement date basis. The Company's revenues are primarily derived from direct sales of mutual funds and various annuities.

Note 4. Estimates:

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions which affect the amounts reported in the financial statements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 5. Income Taxes:

The Company is included in the consolidated tax returns filed by the Parent. Federal income taxes are calculated as if the companies filed on a separate basis, and the amounts of the current tax or benefit calculated is either received from, or remitted to, the Parent. The amount of the current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

At December 31, 2004, the Company had available a net operating loss carryforward of approximately $21,000 for federal tax purposes expiring in 2017. The tax benefit of the net operating loss for state income tax purposes was approximately $1,400 as of December 31, 2004.

Note 6. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Company has defined cash and cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

Note 7. Property and Equipment:

Property and equipment are stated at cost and are depreciated on the straight line basis over the estimated useful lives of the individual assets.

MONITOR CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2004

Note 7. Property and Equipment (Continued):

Property and equipment at December 31, 2004, consist of the following:

Furniture	$ 673
Computer Software	$4,539
Total	$5,242
Less Accumulated Depreciation	($5,242)
Property and Equipment, Net	$ 0

Depreciation expenses totaled $67 for 2004.

Note 8. Securities Owned - Related Party:

Securities not readily marketable include an investment in Summit Equity Fund, L. P. (the Fund), for which there is no market on the security exchange and no independent publicly quoted market value. The Fund cannot be publicly offered and sold unless registration has been effected under the Securities Act of 1933, or otherwise cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the investment.

At December 31, 2004, the Fund had an estimated fair value of $86,721.

Note 9. Related Party Transactions:

The Company engages in transactions with the Parent. Related party transactions for 2004 were as follows:

Rent Expense for 2004, paid to Parent	$12,000
Salary for 2004, paid to Parent	$53,618
Receivables from Parent at Year End	$11,421
Payables to Parent at Year End	$19,467

Note 10. Concentration of Credit Risk:

Cash restricted for the Company's clearing agent is not insured. The uninsured amount totaled $40,225 at December 31, 2004, and the Company believes no significant risk exists.

Note 11. Net Capital Requirements:

The Company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and that the Company maintain minimum net capital of the greater of $5,000 or 6.66% of aggregate indebtedness. At December 31, 2004, the Company had aggregate indebtedness of $40,510, and net capital of $41,648. Net capital was $36,648 in excess of its required net capital of $5,000. The Company's net capital ratio was 0.74 to 1.

The Company does not carry customer accounts, nor does it hold customer securities or cash, and is therefore exempt from rules 15c3-3 and 17a-13 of the Securities Exchange Act of 1934.

Note 12. Common Stock:

The Company has issued 1,500 shares at $.01 par value for a total of $1,500. The Parent owns 100% of the stock.

MONITOR CAPITAL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
December 31, 2004

<u>Net Capital:</u>				
Total Stockholder's Equity	$	145,550		
Total Stockholder's Equity Qualified for Net Capital		145,550		
Deductions				
Investments, Not Readily Marketable		86,721		
Related Party Receivables		11,421		
Prepaid Expenses and Other Assets		5,760		
Total Deductions		103,902		
Net Capital			$	41,648
<u>Aggregate Indebtedness:</u>				
Total Liabilities	$	30,735		
Total Aggregate Indebtedness	$	30,735		
<u>Computation of Basic Net Capital Requirement:</u>				
Minimum Net Capital Required (Greater of $5,000 or 6.66% of Aggregate Indebtedness)			$	(5,000)
Excess Net Capital			$	36,648
Ratio of Aggregate Indebtedness to Net Capital				0.74 to 1
<u>Reconciliation with Company's Computation:</u> <u>(Included in Part II of Form K-17A-5 as of December 31, 2004)</u>				
Net Capital (As Reported in Part II Unaudited FOCUS Report)	$	51,282		
Audit Adjustments, Net				
Unrecorded Liabilities		(9,634)		
Net Capital, per Above			$	41,648

See Independent Auditor's Report

Sonnenberg & Company, CPAs
A Professional Corporation
5190 Governor Drive, Suite 201, San Diego, California 92122
Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX
Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors of
Monitor Capital, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Monitor Capital, 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 financials statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we consider 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, or

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 maintain internal control and the practices and procedures referred to in th preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control and of the practices and procedures referred to in the preceding paragraph and to

Member: The American Institute of Certified Public Accountants and California Society of Certified Public Accountants

assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (SEC) above-mentioned objectives. Two of the objectives of internal control and 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 accordance with U. S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in preceding paragraph.

Because of the 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 weakness 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 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, others within the Company, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on rule 17a-5(g) of the Securities Exchange Act of 1934 in the regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

February 4, 2005

Sonnenberg & Company, CPAs