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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

SEC FILE NUMBER
8-32772

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 (MM/DD/YY) AND ENDING 12/31/04 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER—DEALER: Walnut Street Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

13045 Tesson Ferry Road
(No. and Street)

St. Louis	Missouri	63128
(City)	(State)	(Zip Code)

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

Robert Petersen	(732) 326-7339
	(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP
(Name — if individual, state last, first, middle name)

Two World Financial Center	New York	New York	10281
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

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

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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).*

PS 3/29/05

AFFIRMATION

I, Robert Petersen, affirm that, to the best of my knowledge and belief, the accompanying consolidated financial statements and supplemental schedules pertaining to Walnut Street Securities, Inc. and subsidiary for the year ended December 31, 2004 are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

FEB 28 2005

Signature Date

Chief Financial Officer

Title

Subscribed and Sworn to before me on this 28 day of February 2005

Barbara Nebel

Notary Public

Barbara Nebel
My Commission Expires
October 9, 2007

WALNUT STREET SECURITIES, INC.
(S.E.C. I.D. No. 8-32772)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2004 AND INDEPENDENT AUDITORS' REPORT AND SUPPLEMENTAL REPORT ON INTERNAL CONTROL

* * * * * *

Filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a Public Document.

Deloitte.

Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281-1414
USA

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INDEPENDENT AUDITORS' REPORT

To the Stockholder
Walnut Street Securities, Inc.:

We have audited the accompanying consolidated statement of financial condition of Walnut Street Securities, Inc. (the "Company") and subsidiary as of December 31, 2004, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of Walnut Street Securities, Inc. and subsidiary at December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

February 28, 2005

WALNUT STREET SECURITIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004

ASSETS

Cash and cash equivalents	$ 11,798,131
Cash and securities segregated pursuant to federal regulations	4,270,040
Commissions and fees receivable	8,959,644
Receivable from brokers and clearing organizations	748,893
Securities owned, at market value	2,618,971
Prepaid expenses	1,665,031
Receivable from parent and affiliates	2,546,562
Deferred tax asset	3,670,894
Other assets	1,251,990
TOTAL ASSETS	$ 37,530,156

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:	
Commissions payable	$ 10,183,401
Due to parent and affiliates	8,298,290
Due to customers	568,530
Accrued expenses and other liabilities	4,375,572
Total liabilities	23,425,793
STOCKHOLDER'S EQUITY	
Class A preferred stock - $100 par value; 20,000 shares authorized and outstanding	2,000,000
Class B preferred stock - $100 par value; 65,000 shares authorized and 45,000 shares outstanding	4,500,000
Common stock - no par value; 200,000 shares authorized and outstanding	35,000
Additional paid-in capital	42,044,694
Accumulated deficit	(34,475,331)
Total stockholder's equity	14,104,363
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 37,530,156

See notes to consolidated statement of financial condition.

1. ORGANIZATION

Walnut Street Securities, Inc. (the "Company") is a wholly owned subsidiary of MetLife, Inc. The Company is a registered broker-dealer under the Securities Exchange Act of 1934 ("the 1934 Act"), a registered investment adviser under the Investment Advisers Act of 1940, and is a member of the National Association of Securities Dealers, Inc. The Company contracts with independent licensed brokers to sell securities and other investment products on a principal and agency basis to retail (individual) investors. The Company clears the majority of its transactions through Pershing LLC ("Pershing") and Bear Stearns Securities Corp. ("Bear").

Walnut Street Advisers, Inc. ("Advisers") is a wholly owned subsidiary of the Company. Advisers is a registered investment adviser under the Investment Advisers Act of 1940.

"MetLife" as used in these Notes refers to MetLife, Inc., a Delaware Corporation, and its subsidiaries (other than the Company), including Metropolitan Life Insurance Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements consolidate the accounts of the Company and Advisers. All significant intercompany balances and transactions have been eliminated.

Statement of Cash Flows—Cash and cash equivalents consist of cash and highly liquid investments not held for resale with maturities, when purchased, of three months or less. Substantially all cash is on deposit with Bank of America, JP Morgan Chase and PNC Bank or invested in money market funds held at Pershing.

Income Taxes—The Company is a member of the consolidated federal income tax group established by MetLife, Inc. for its wholly owned subsidiaries. Accordingly, computed taxes payable or receivable are due to or from the parent. The Company participates in a Tax Sharing Agreement with MetLife, Inc.

The Company applies the concepts of Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*, which establishes deferred tax assets and liabilities based upon the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. SFAS No. 109 allows recognition of deferred tax assets if future realization of the tax benefit is more likely than not, with a valuation allowance for the portion that is not likely to be realized.

Use of Estimates in the Preparation of Financial Statements—The preparation of the consolidated 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 reported amounts of assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments—SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires the Company to report the fair value of financial instruments, as defined. All of the Company's financial assets and liabilities are carried at fair value or amounts that approximate fair value.

3. SECURITIES OWNED

Marketable securities owned consist of trading and investment securities at market values as follows:

Certificate of deposit	$ 826,282
Limited partnership units	215,200
Stocks and mutual funds	1,575,983
Obligations of U.S. government and agencies	1,327
Other debt instruments	179
	$2,618,971

4. RECEIVABLE/PAYABLE FROM/TO BROKERS AND CLEARING ORGANIZATIONS

Substantially all clearing and depository operations for the Company's and customers' securities transactions are provided by Pershing and Bear Stearns pursuant to a clearance agreement. At December 31, 2004, included in accrued expenses and other liabilities on the statement of financial condition is approximately $89,000 payable to Pershing and included in receivable from brokers and clearing organizations is $642,000 on deposit with Bear in interest bearing accounts. Securities owned (other than limited partnership units) are held in the custody of Pershing or Bear. Pershing and Bear have the ability to pledge the securities in their custody. Limited partnership units are held in custody by the unit sponsor for the account of the Company. Approximately $31,000 is on deposit in escrow at the Company's previous clearing firm pending final transfer of client accounts to another clearing firm.

The Company has agreed to indemnify Pershing and Bear for losses which may be sustained as a result of the failure of customers introduced by the Company to satisfy their obligations in connection with their securities transactions.

The Company is a member of the National Securities Clearing Corporation ("NSCC") and settles various transactions utilizing the services of NSCC. At December 31, 2004, approximately $75,000 was receivable from NSCC.

5. RELATED PARTY TRANSACTIONS

MetLife provides administrative, operations and support services and functions for the Company through facilities shared by other MetLife, Inc. subsidiaries. The Company reimburses MetLife for the costs of providing such administrative, operations and support services.

Receivable from affiliate represents a tax refund and other reimbursements due to the Company. Due to parent and affiliates principally represents reimbursements payable for administrative, operations and support services provided by MetLife.

Preferred Stock—The Company has 20,000 shares of nonvoting Class A cumulative preferred stock outstanding to MetLife, Inc. at $100 per share.

The Company has 45,000 shares of nonvoting Class B cumulative preferred stock outstanding to MetLife, Inc. at $100 per share.

The Company's Cumulative Preferred Stock, Series A and Series B has a liquidation preference of $100 per share and is entitled to dividends, on a cumulative basis. Dividends are declared and payable only when the Company realizes net profits.

The Company's Cumulative Preferred Stock, Series A and Series B, is redeemable only at the option of the Company.

6. REGULATORY REQUIREMENTS

As a broker-dealer, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the 1934 Act which requires the maintenance of minimum net capital in accordance with a formula set forth therein. The Company calculates net capital under the alternative method permitted by Rule 15c3-1 which requires the Company to maintain net capital, as defined, of the greater of 2% of aggregate debit balances arising from customer transactions pursuant to Rule 15c3-3 under the 1934 Act, or $250,000. At December 31, 2004, the Company had net capital of approximately $1,889,000 which was approximately $1,639,000 in excess of the requirement of $250,000.

7. EMPLOYEE BENEFIT PLANS

MetLife sponsors and administers defined benefit and defined contribution pension plans. For the defined benefit plan, the benefits are based on years of credited service and final average earning history. MetLife's funding policy is to require affiliates to contribute their portion of the amount necessary to satisfy IRS contribution guidelines.

8. INCOME TAXES

The net deferred tax asset recorded in the consolidated statement of financial condition as of December 31, 2004 is comprised of the following:

Deferred tax assets:	
Litigation reserve	$ 681,250
Customer payables	48,587
Loss carryforwards	1,569,916
Deferred rent	743,112
Tax deductible goodwill	149,144
Employee benefits	663,255
Other—net	12,008
	3,867,272
Deferred tax liabilities:	
Depreciation and amortization	$ (129,130)
State taxes	(67,248)
	(196,378)
Net deferred tax asset	$ 3,670,894

The Company has not provided for a valuation reserve against the deferred tax asset as management has determined it is more likely than not that the deferred tax asset will be realized.

As of December 31, 2004 the Company had a net operating loss carryforward of $4,485,473 which will expire in 2021-2023.

9. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal proceedings and investigations which arise in the conduct of its business. In some of these matters, very large and/or indeterminate amounts, including punitive damages, are sought. It is not feasible to predict or determine the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's consolidated financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's consolidated net income or cash flows in particular quarterly or annual periods.

10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company engages in brokerage transactions that settle in accordance with industry practice. In the event a customer or counterparty is unable to fulfill its contracted obligations, the Company might be required to liquidate the transaction for its own account. Additionally, the agreements between the Company and its clearing brokers provide that the Company is obligated to assume any responsibility related to nonperformance by its customers. The Company seeks to control the risk associated with nonperformance by monitoring all customer activity and reviewing information it receives from its clearing brokers on a daily basis.

Certain securities transactions in the normal course of business may also give rise to off-balance sheet market risk. To mitigate the risk of losses, long and short positions are marked-to-market daily and are continuously monitored by management.

11. SUBORDINATED LIABILITIES

On November 14, 2002 the Company entered into a Subordinated Revolving Credit Agreement with Metropolitan Life Insurance Company which became effective on December 15, 2002. The agreement provides a revolving credit line to the Company not to exceed $10,000,000, and has a scheduled maturity date of December 15, 2007. As of December 31, 2004, the Company has retired two notes in the amount of $1,000,000 and $1,500,000 respectively, both with a maturity date of August 31, 2004. These borrowings had been approved for regulatory capital purposes.

* * * * * *

Deloitte.

Deloitte & Touche LLP
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New York, NY 10281-1414
USA

Tel: +1 212 436 2000
Fax: +1 212 436 5000
www.deloitte.com

February 28, 2005

Walnut Street Securities, Inc.
400 South 4th Street
St. Louis, MO 63102

Dear Sir or Madam:

In planning and performing our audit of the consolidated financial statements of Walnut Street Securities, Inc. (the "Company") and subsidiary for the year ended December 31, 2004 (on which we issued our report dated February 28, 2005), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (3) 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; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 acquisition, use, or

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated 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 Company's internal control and its operation, 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 Commission 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 Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., 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.

Yours truly,

Deloitte & Touche LLP