

BOB 3/18

SECURIT



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

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

SEC FILE NUMBER
05415

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 1/1/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: <u>DB3 Securities Inc.</u>	OFFICIAL USE ONLY FIRM I.D. NO.	
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) <u>350 Frank H. OGAWA Plz. #603</u>		
<u>Oakland</u> (City)	<u>Calif</u> (State)	<u>94612</u> (Zip Code)

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

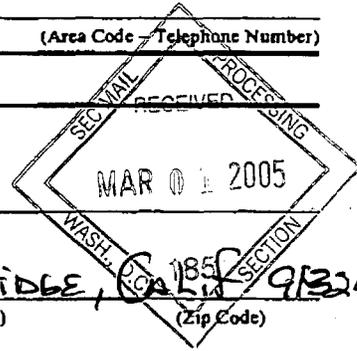
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KEVIN G. BREARD, CPA
(Name - if individual, state last, first, middle name)

9010 CORBIN AVENUE Suite 7 Northridge, CA 91324
(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

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)

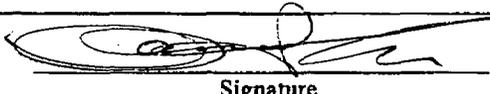
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BOB 3/18

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OATH OR AFFIRMATION

I, MARK A. d'Ercole, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DBS Securities Inc., as of 12/31/04, 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:


Signature

President / CEO
Title

See Attached All Purpose Acknowledgment
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 Cash Flows
- (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).

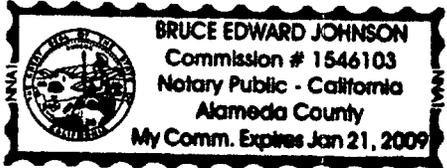
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Alameda } ss.

On 2-28-05, before me, Bruce Edward Johnson, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared MARK A. DiCroce
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.
[Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document Independent Auditors Report
Title or Type of Document:

Document Date: 12-31-09. Number of Pages: 12

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

- Signer's Name: _____
- Individual
 - Corporate Officer — Title(s): _____
 - Partner — Limited General
 - Attorney in Fact
 - Trustee
 - Guardian or Conservator
 - Other: _____

Signer Is Representing: [Signature]



KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

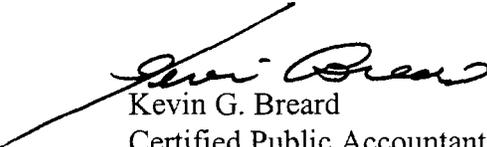
Board of Directors
DB3 Securities, Inc.

I have audited the accompanying statement of financial condition of DB3 Securities, Inc. 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 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DB3 Securities, Inc. as of December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III is presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.


Kevin G. Breard
Certified Public Accountant

Northridge, California
February 1, 2005

NORTHRIDGE OFFICE PLAZA
9010 CORBIN AVENUE, SUITE 7
NORTHRIDGE, CALIFORNIA 91324
(818) 886-0940 • FAX (818) 886-1924
BreardCPA@aol.com

DB3 Securities, Inc.
Statement of Financial Condition
December 31, 2004

Assets

Cash	\$ 9,457
Prepaid expense and other assets	<u>2,235</u>
Total assets	<u>\$ 11,692</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses	\$ <u>1,100</u>
Total liabilities	1,100

Stockholder's equity

Common stock, 100,000 shares no par value, authorized; 90,000 shares issues and outstanding	12,500
Additional paid-in capital	15,541
Accumulated deficit	<u>(17,449)</u>
Total stockholder's equity	<u>10,592</u>
Total liabilities and stockholder's equity	<u>\$ 11,692</u>

The accompanying notes are an integral part of these financial statements.

DB3 Securities, Inc.
Statement of Operations
For the Year Ended December 31, 2004

Revenues

Commissions	\$ 20,203
Other income	3,246
Interest income	<u>34</u>

Total revenues 23,483

Expenses

Commissions	7,352
Occupancy	3,620
Other operating expenses	<u>16,433</u>

Total expenses 27,405

Income (loss) before provision for income taxes (3,922)

Income tax provision 800

Net income (loss) \$ (4,722)

The accompanying notes are an integral part of these financial statements.

DB3 Securities, Inc.
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at December 31, 2003	\$ 12,500	\$ 8,700	\$ (12,727)	\$ 8,473
Capital contributions	-	7,941	-	7,941
Capital withdrawals	-	(1,100)	-	(1,100)
Net income (loss)	<u>-</u>	<u>-</u>	<u>(4,722)</u>	<u>(4,722)</u>
Balance at December 31, 2004	<u>\$ 12,500</u>	<u>\$ 15,541</u>	<u>\$ (17,449)</u>	<u>\$ 10,592</u>

The accompanying notes are an integral part of these financial statements.

DB3 Securities, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2004

Cash flows from operating activities:

Net income (loss)		\$ (4,722)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Accounts receivable	\$ 469	
(Decrease) increase in:		
Accounts payable and accrued expenses	491	
Income taxes payable	<u>(1,600)</u>	
Total adjustments		<u>(640)</u>
Net cash provided by (used in) operating activities		(5,362)

Cash flows from investing activities:

-

Cash flows from financing activities:

Capital contributions	7,941	
Capital withdrawals	<u>(1,100)</u>	
Net cash provided by (used in) financing activities		<u>6,841</u>
Net increase (decrease) in cash and cash equivalents		1,479
Cash at beginning of year		<u>7,978</u>
Cash at end of year		<u>\$ 9,457</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Income taxes	\$	1,232
Interest	\$	-

The accompanying notes are an integral part of these financial statements.

DB3 Securities, Inc.
Notes to Financial Statements
December 31, 2004

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

DB3 Securities, Inc. (the "Company") was formed as a California corporation on January 19, 2001, to engage in business as a broker/dealer in general securities activities in the United States. Revenues are generated through mutual fund transactions and insurance products. Mutual fund transactions are processed directly by the mutual fund involved. The Company is a fully disclosed broker/dealer whereby it does not hold customer funds or securities. The Company is a member of the National Association of Securities Dealers, Inc. ("NASD").

Summary of Significant Accounting Policies

The presentation 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions are recorded on a trade date basis with related commission income and expenses also recorded on a trade date basis.

Advertising costs are expensed as incurred.

Note 2: INCOME TAXES

The Company, with the consent of its stockholder, has elected to be an S Corporation and accordingly has its income taxed under Section 1372 of the Internal Revenue Code, which provides that in lieu of corporate income taxes, the stockholder is taxed on the Company's taxable income. Therefore, no provisions or liability for Federal income taxes are included in these financial statements. The State of California has similar regulations, although there exists a provision for a minimum Franchise tax and a tax rate of 1.5% over the minimum Franchise fee of \$800.

The Company has elected to report the statement of changes in stockholder's equity without disclosing the accumulated adjustment account and other equity accounts pertinent to an S Corporation. There is no financial impact to these financial statements.

DB3 Securities, Inc.
Notes to Financial Statements
December 31, 2004

Note 3: RELATED PARTY TRANSACTIONS

Pursuant to an agreement with DB3 Insurance Services, Inc., an entity under common control, the Company is provided with office facilities, supplies and certain services under an expense sharing arrangement with the related party.

Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, The Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"). This interpretation of Accounting Research Bulletin No. 51, requires companies to consolidate the operations of all variable interest entities ("VIE's") for which they are the primary beneficiary. The term "primary beneficiary" is defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. This interpretation was later revised by the issuance of Interpretation No. 46R ("FIN 46R"). The revision was issued to address certain implementation issues that had arisen since the issuance of the original interpretation and to provide companies with the ability to defer the adoption of FIN 46 to periods after March 15, 2004. The implementation of FIN No. 46 and FIN 46R, had no material impact on the Company's financial statements.

On July 16, 2004, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on Issue 02-14, "*Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means*" ("EITF 02-14"). The consensus concludes that an investor should apply the equity method of accounting when it can exercise significant influence over an entity through a means other than holding voting rights. The consensus is effective for reporting periods beginning after September 15, 2004. The adoption of EITF 02-14 did not have a material impact on the Company's financial statements.

On December 16, 2004, FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" ("FASB 123R"), which addresses the accounting for employee stock options. FASB 123R requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements based on the estimated fair value of the awards. Stock options are a valuable and important tool that have been used by many companies as a means to motivate employees and to promote business growth. The statement requires that the value of these arrangements be measured and recognized in the financial statements. FASB 123R becomes effective for reports filed after June 15, 2005. Early adoption of FASB 123R had no material effect on the Company's financial statements.

DB3 Securities, Inc.
Notes to Financial Statements
December 31, 2004

Note 5: NET CAPITAL

The Company is subject to the Securities and Exchange Commission 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 day to day, but on December 31, 2004, the Company had net capital of \$8,357 which was \$3,357 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$1,100) to net capital was 0.13 to 1 which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Note 6: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$300 difference between the computation of net capital under net capital SEC rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule	\$	8,657
Adjustments:		
Retained earnings	\$	(300)
Total adjustments		<u>(300)</u>
Net capital per audited statements	\$	<u>8,357</u>

DB3 Securities, Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2004

Computation of net capital

Stockholder's equity

Common stock	\$ 12,500
Additional paid-in capital	15,541
Accumulated deficit	<u>(17,449)</u>
Total stockholder's equity	10,592

Less: Non allowable assets

Prepaid expenses and other assets	<u>(2,235)</u>
Net adjustments to capital	<u>(2,235)</u>

Net Capital

8,357

Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 73
Minimum dollar net capital required	<u>5,000</u>

Net capital required (greater of above)	<u>5,000</u>
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Excess net capital

\$ 3,357

Ratio of aggregate indebtedness to net capital	0.13:1
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There was an \$300 material difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2004. See Note 6.

See independent auditor's report.

DB3 Securities, Inc.
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2004

A computation of reserve requirements is not applicable to DB3 Securities, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

See independent auditor's report.

DB3 Securities, Inc.
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2004

Information relating to possession or control requirements is not applicable to DB3 Securities, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

See independent auditor's report.

DB3 Securities, Inc.
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2004

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Board of Directors
DB3 Securities, Inc.

In planning and performing my audit of the financial statements and supplemental schedules of DB3 Securities, Inc. for the year ended December 31, 2004, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), I have made a study of the practices and procedures followed by DB3 Securities, Inc. including tests of such practices and procedures that I considered relevant to 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 security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the 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 structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the proceeding 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 an internal control structure 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 generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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NORTHRIDGE OFFICE PLAZA
9010 CORBIN AVENUE, SUITE 7
NORTHRIDGE, CALIFORNIA 91324
(818) 886-0940 • FAX (818) 886-1924
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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the 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 design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I 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 purpose 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 material inadequacy for such purposes. Based on this understanding and on my study, I 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 use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Kevin G. Breard
Certified Public Accountant

Northridge, California
February 1, 2005