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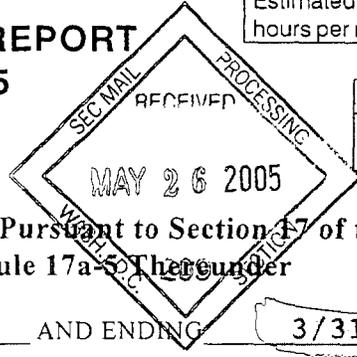
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER
8. 15305

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 4/1/04 AND ENDING 3/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

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

OFFICIAL USE ONLY
FIRM I.D. NO.

10 Universal City Plaza 20th Floor  
(No. and Street)

Universal City, California 91608  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Jamie Bennett (818) 753-2353  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

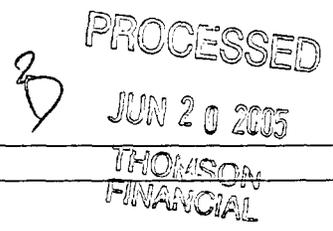
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

David E. Lazarus  
(Name - if individual, state last, first, middle name)

10801 National Blvd. Ste 608 Los Angeles, California 90064  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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



<b>FOR OFFICIAL USE ONLY</b>

\*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)

Handwritten initials/signature

OATH OR AFFIRMATION

I, Jamie S. Bennett, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Empire Securities Corporation, as of March 31, 2005, 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:

NONE

NONE

NONE

[Signature]  
Signature  
Jamie S. Bennett  
Chief Financial Officer  
Title

[Signature]  
Notary Public O'Brien H. Reynoso



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~~ 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.
- (o) Independent Auditor's Report on Internal Control Structure

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**EMPIRE SECURITIES CORPORATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2005**

# Empire Securities Corporation

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**DAVID E. LAZARUS**  
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors  
Empire Securities Corporation  
Los Angeles, California

Gentlemen:

I have audited the accompanying statement of financial condition of Empire Securities Corporation as of March 31, 2005, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. 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 a 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. I believe that my audit provided 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 Empire Securities Corporation at March 31, 2005, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information 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 the audit 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.



David E. Lazarus  
Certified Public Accountant

Los Angeles, California  
May 6, 2005

Empire Securities Corporation  
Statement of Financial Condition  
March 31, 2005

ASSETS

Cash		\$ 227,205
Cash - clearing deposit		10,086
Commissions receivable		<u>168,902</u>
Allowable assets		406,193
Commissions receivable	\$ 20,820	
Interest receivable	1,756	
Deposits	2,600	
Property and equipment, at cost		
Less accumulated depreciation of \$6,611	58,389	
NASDAQ warrants	<u>3,300</u>	
Unallowable assets		<u>86,865</u>
		<u>\$ 493,058</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities		
Accounts payable and accrued expenses		\$ 8,262
Commissions payable		329,004
Income taxes payable – current		11,197
Income taxes payable – deferred		<u>14,348</u>
Total liabilities		362,811
Shareholders' equity		
Common stock		
Class A, \$.50 par value; authorized 50,000 shares; no shares issued and outstanding	\$ -	
Class B, \$.50 par value; authorized 50,000 shares; issued and outstanding 1,000 shares	500	
Additional paid in capital	41,000	
Retained earnings	<u>88,747</u>	
Total shareholders' equity		<u>130,247</u>
		<u>\$ 493,058</u>

The accompanying notes and independent auditor's report  
are an integral part of these financial statements.

Empire Securities Corporation  
Statement of Income  
For the Year Ended March 31, 2005

Revenue		
Commissions – principal		\$ 3,346
Commissions – listed		15,044
Commissions – OTC		33,091
Commissions – third market		67,458
Commissions – mutual funds		768,765
Commissions – 12B-1 trailings		51,771
Commissions – variable annuities		437,217
Commissions – direct participation programs		2,675,459
Investment advisory fees		60,655
Interest		13,592
Miscellaneous income		<u>26,978</u>
Total revenue		4,153,376
Cost of revenues		
Commission	\$ 3,078,979	
Clearing expenses	<u>26,573</u>	
Total cost of revenues		<u>3,105,552</u>
Net revenues retained		1,047,824
General and Administrative expenses		
Accounting and audit fees	7,854	
Administrative services	110,049	
Advertising	718	
Automobile expenses	26,119	
Bank and wire charges	135	
Bond premiums	2,331	
Business promotion	2,663	
Charitable contributions	32	
Computer expenses	284	
Education and training	(2,061)	
Depreciation	7,043	
Equipment rentals	300	
Insurance	8,682	
Legal fees	11,000	
Miscellaneous expenses	3,059	
Moving expenses	401	
NASD fees	29	

The accompanying notes and independent auditor's report  
are an integral part of these financial statements.

Empire Securities Corporation  
Statement of Income  
For the Year Ended March 31, 2005

(Continued)

NASD membership assessments	8,778	
Office expenses	16,688	
Parking and validations	910	
Payroll processing	1,936	
Payroll taxes	23,024	
Pension plan contribution	50,000	
Postage and overnight mail	4,917	
Printing and graphics	3,457	
Professional services	58,431	
Rent and occupancy expenses	70,421	
Officer salaries	388,069	
Seminar expenses	22,279	
SPIC fees and assessments	150	
Subscriptions and publications	652	
Taxes – miscellaneous	6,602	
Telephone and communications	3,155	
Travel and entertainment	49,833	
Website expenses	<u>16,547</u>	
Total cost and expense		<u>904,487</u>
Income before provision for income taxes and extraordinary credit		143,337
Provision for incomes taxes		<u>69,544</u>
Income before extraordinary credit		73,793
Extraordinary credit		
Tax benefit of net operating loss carryover		<u>30,798</u>
Net income		<u>\$ 104,591</u>

The accompanying notes and independent auditor's report  
are an integral part of these financial statements.

Empire Securities Corporation  
Statement of Changes in Shareholder's Equity  
For the Year Ended March 31, 2005

	Class A Common Stock \$.50 Par Value; 50,000 Authorized; Shares Issued and Outstanding	Class A Common Stock \$.50 Par Value; 50,000 Authorized Amount	Class B Common Stock \$.50 Par Value; 50,000 Authorized; Shares Issued and Outstanding	Class B Common Stock \$.50 Par Value; 50,000 Authorized Amount	Additional Paid In Capital	Retained Earnings/ Accumulated Deficit	Total
Balance – April 1, 2004	-	\$ -	1,000	\$ 500	\$ 41,000	\$ (15,844)	\$ 25,656
Net income for year	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>104,591</u>	<u>104,591</u>
Balance-March 31, 2005	<u>-</u>	<u>\$ -</u>	<u>1,000</u>	<u>\$ 500</u>	<u>\$ 41,000</u>	<u>\$ 88,747</u>	<u>\$ 130,247</u>

The accompanying notes and independent auditor's report  
are an integral part of these financial statements.

Empire Securities Corporation  
Statement of Cash Flows  
For the Year Ended March 31, 2005

Cash flow from operating activities:		
Net income		\$104,591
Adjustments		
Depreciation		7,043
(Increase) in commissions receivable		(59,810)
(Increase) in interest receivable		(1,756)
Decrease in deposits		940
(Decrease) in accounts payable and accrued expenses		(21,554)
Increase in commission payable		211,302
Increase in income taxes payable – current		271
Increase in income taxes payable – deferred		<u>14,348</u>
Net cash flow from operating activities		255,375
Cash flow from investing activities		
Acquisition of property and equipment	<u>(60,114)</u>	
Net cash flow from investing activities		(60,114)
Cash flow from financing activities:		
None	<u>-</u>	
Net cash flow from financing activities		<u>-</u>
Increase in cash and equivalents		195,261
Cash and equivalents – April 1, 2004		<u>42,030</u>
Cash and equivalents - March 31, 2005		<u>\$237,291</u>
Interest paid during year		<u>-</u>
Income taxes paid during year		<u>\$ 24,207</u>

The accompanying notes and independent auditor's report  
are an integral part of these financial statements.

Empire Securities Corporation  
Notes to Financial Statements  
March 31, 2005

Note 1. Significant Accounting Policies

- A. The Company is a registered broker/dealer selling investments in mutual funds, stocks, bonds, direct placement securities and insurance products. In connection with the sale of stocks and bonds, the Company uses another securities dealer as a clearinghouse for these transactions. For these services, the Company receives commissions from the mutual fund distributor, the direct placement promoter, and insurance carrier.
- B. Property and equipment is stated at cost. Depreciation is provided for on a straight-line basis at rates determined by the estimated useful lives of the respective assets. Expenditures for major renewals and betterments that extend the useful lives of office furniture and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. For income tax purposes, depreciation is computed using the modified accelerated cost recovery system and double declining method.
- C. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to the difference of depreciation for financial and income tax reporting. The deferred tax liabilities represent the future tax return consequences of this difference, which will be taxable when the assets are recovered.
- D. For purposes of the Statement of Cash Flows, the Company considers all short-term investments with maturities at the date of purchase of three months or less to be cash equivalent.
- E. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Net Capital Requirement

The Company, as a registered broker/dealer, is required to maintain a minimum net capital, as defined by rule 15c3-1 of the Securities and Exchange Act of 1934. As of March 31, 2005, the computed net capital and the required net capital, computed under rule 15c3-1, were \$43,382 and \$5,000, respectively.

Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of commissions' receivable. Concentrations of credit risk with respect to commissions' receivable are limited due to the credit worthiness of the payors, which consist of various mutual funds, insurance carriers and brokerage houses. Accordingly, at March 31, 2005, the Company had no significant concentrations of credit risk.

Note 4. Property and Equipment

Property and equipment consists of the following classifications:

Office furniture and equipment	\$ 8,594
Transportation equipment	<u>56,406</u>
	65,000
Less accumulated depreciation	<u>6,611</u>
	<u>\$ 58,389</u>

Note 5. Income Taxes

The Company's provision for income taxes does not bear the normal relationship to pre-tax income. This variance is due to the fact that:

- a. Fifty (50%) percent of the entertainment and business meal expenses incurred by the Company are nondeductible for Federal and California income tax purposes.
- b. The Company utilized a net operation loss carryover from the short year ended March 31, 2004

Income tax expense at March 31, 2005, consists of the following:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal Income Taxes	\$ 12,219	\$ 13,830	\$ 26,049
State Income Taxes	<u>12,259</u>	<u>518</u>	<u>12,777</u>
Total Income Tax Expense	<u>\$ 24,478</u>	<u>\$ 14,348</u>	<u>\$ 38,826</u>

Note 6. Leases

The Company leased certain office space on a month-to-month basis through January 2004.

In February 2005, the Company entered into a lease agreement for office space, which expires in January 2006. This lease requires monthly lease payments of \$2,600 plus additional charges for telephone, internet services and parking.

In addition, the Company entered into a lease agreement for office space with one of its shareholders. This lease is on a month-to-month basis, with no termination date.

During the fiscal year ended March 31, 2005, the Company incurred rent expense under these leases of \$70,421.

Note 7. NASDAQ Warrant

The Company had acquired 300 warrants to acquire shares in NASDAQ. These warrants are exercisable into 300 shares of NASDAQ stock at a price ranging from \$13 to \$16 per share. At March 31, 2005, the Company had not exercised these warrants.

Note 8. Change in Fiscal Year

Subsequent to February 29, 2004, the Company obtained permission to change its fiscal year end from February to March. Accordingly, the financial statements for the year ended March 31, 2005 represent the first full year of operations after the change of fiscal year.

Note 9. Pension Plan

The Company adopted a non-contributory-defined benefit plan effective April 1, 2004. The plan provides for defined benefits based on years of service and final average compensation. The Company used a March 31 measurement date for the plan.

Note 9. Pension Plan (Cont'd.)

The following table provides further information about this plan:

a. Projected benefit obligation	\$ 30,080
b. Fair value of Plan Assets (cash)	50,000
c. Funded status of the Plan	19,920
d. Employer contribution	50,000
e. Accumulated benefit obligation	30,080
f. Current and future benefits to be paid within the next ten years	None
g. Weighted Average Discount Rate	6%
h. Average percentage increase in compensation	0%
i. Minimum funding requirement for the next fiscal year	50,000
j. Net periodic pension costs	30,080

Note 10. Related Party Transactions

The following transactions occurred between the Company and a principal shareholder:

1. During the fiscal year ended March 31, 2005, the Company paid commissions of approximately \$70,000 to a salesperson related to a principal shareholder.
2. During the fiscal year ended March 31, 2005, the Company paid rent of approximately \$45,000 to a principal shareholder.
3. During the fiscal year ended March 31, 2005, the Company paid an administrative fee of approximately \$110,000 to a principal shareholder.
4. During the fiscal year ended March 31, 2005, the Company purchased transportation equipment with a cost of approximately \$56,000 to be used by a salesperson related to a principal shareholder. In addition, the Company leased transportation equipment having a fair market value of approximately \$60,000 for use by a principal shareholder. Lease payments on this equipment amounted to \$8,700.

Empire Securities Corporation  
Computation of Net Capital Pursuant to Rule 15c3-1  
March 31, 2005

Total Shareholder's equity from Statement of Financial Condition	\$ 174,127
Less non-allowable assets	<u>97,894</u>
Net capital	<u>\$ 76,233</u>

Computation of Basic Net Capital Requirement

Minimum net capital required	\$ 5,000
Net capital from above	<u>\$ 76,233</u>
Excess net capital	<u>\$ 71,233</u>

Computation of Ratio of Aggregate Indebtedness

Total liabilities	<u>\$ 348,514</u>
Ratio of aggregate indebtedness to net capital	<u>4.57 to 1</u>

The computation of net capital as reported in the Unaudited Part IIA filing does not agree with the audited net capital as reported in the reconciliation of net capital.

Empire Securities Corporation  
Reconciliation of Net Capital  
March 31, 2005

Net capital as reported in unaudited Focus Report Part II A	\$ 76,233
Adjustments related to:	
Restatement for unrecorded adjustments to the short year ended March 31, 2004	(14,870)
Restatement for unrecorded adjustments to the short year ended March 31, 2004	(16,334)
Reclassification of tax payments attributed to the current year	4,300
Minor adjustments for additional income (expenses)	(1,327)
Decrease in commission income receivable	(18,554)
Decrease in commission expense payable	18,031
Decrease in unallowable assets – tax payments	10,200
Decrease accounts payable and accrued expenses	10,829
Increase in income taxes payable	<u>(25,126)</u>
Net capital as reported in audited financial statements	<u>\$ 43,382</u>

Audited Computation of Basic Net Capital Requirement

Minimum net capital required	\$ 5,000
Net capital from above	<u>\$ 43,382</u>
Excess net capital	<u>\$ 38,382</u>

Audited Computation of Ratio of Aggregate Indebtedness

Total liabilities	<u>\$ 362,811</u>
Ratio of aggregate indebtedness to net capital	<u>8.36 to 1</u>

The computation of net capital as reported in the unaudited Part IIA filing differs from the audited net capital for the reasons above. Though these differences are material, the audited net capital is still well in excess of the minimum net capital required.

**DAVID E. LAZARUS**  
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report on Internal Control Structure

Board of Directors  
Empire Securities Corporation  
Universal City, California

In planning and performing my audit of the financial statements of Empire Securities Corporation for the year ended March 31, 2005, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purposes 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, I have made a study of the practices and procedures followed by the firm that I considered relevant to the objectives stated in rule 17a-5(g)(1)(i) in making the periodic computation of aggregate indebtedness and net capital under rule 17a-3(a)(11), and for determining compliance with the exemptive provision of Rule 15c3-3. Because the firm 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 firm in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of the difference 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 Firm is responsible for establishing and maintaining an internal control structure 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 structure policies and procedures 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 commission'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 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Independent Auditor's Report on Internal Control Structure

(continued)

Because of the inherent limitations in any internal control structure or the practices and procedures referred to above, errors and irregularities may occur and not be detected. In addition, projection of any evaluation of them in future periods is subject to risk that 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 structure that might be material weaknesses under the 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 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 consider to be material weaknesses 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 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 my study, I believe that the company's practices and procedures were adequate at March 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



David E. Lazarus  
Certified Public Accountant

Empire Securities Corporation  
Possession and Control Requirements of Customer Funds and  
Related Computational Reserve Report  
March 31, 2005

Empire Securities Corporation, as a registered broker/dealer, is subject to quarterly filings of Part IIA of Form X-17A-5 (the Focus Report). The Company does not handle securities as all transactions are on a fully disclosed basis. As such, the Company claims exemption from the possession or control requirements under rule 15c-3-3. The Company claims its exemption from Rule 15c3-3 provision pursuant to Sections (k)(2)(ii) of that rule in that all transactions are handled and all monies and securities, if received directly, are promptly transmitted to the clearing broker.

A reconciliation of this computation is not necessary because of the Company's claimed exemption.