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

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

RECEIVED  
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WASH. DC 209  
SECTION  
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SEC FILE NUMBER  
B- 31215

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**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 05/01/04 AND ENDING 04/30/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: James W. Humbard

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1151 Gibson Road

(No. and Street)

Selah

WA

98942

(City)

(State)

(Zip Code)

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

James W. Humbard

509-697-5651

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Alegria & Company, P.S.

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

601 N. 39th Avenue

Yakima

WA

98902

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED  
JUL 21 2005  
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)

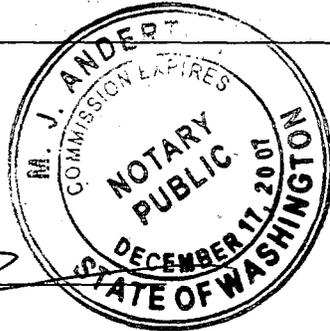
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OATH OR AFFIRMATION

I, James W. Humbard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of James W. Humbard (A Sole Proprietorship), as of April 30, 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



[Signature]  
Notary Public

James W. Humbard  
Signature  
President  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Control

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

JAMES W. HUMBARD  
(A Sole Proprietorship)

**Financial Statements**

April 30, 2005 and 2004

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Steven L. Alegria  
Scott E. Eschbach  
John K. Rothenbueler  
Barry J. Warner  
Matthew J. Anderton

Certified Public  
Accountants

John F. DePew (Retired)  
James B. Shrader (1919-1990)  
Homer D. Engleman (1945-1990)

## INDEPENDENT AUDITOR'S REPORT

Mr. James W. Humbard  
Selah, Washington

We have audited the accompanying statements of financial condition of James W. Humbard (a sole proprietorship) as of April 30, 2005 and 2004, and the related statements of income and proprietor's equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of James W. Humbard. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform each audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James W. Humbard (a sole proprietorship) at April 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained on pages 7 through 9 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of James W. Humbard, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

*Alegria & Company, P.S.*  
June 16, 2005

JAMES W. HUMBAR  
(a Sole Proprietorship)

**Statement of Financial Condition**

April 30, 2005 and 2004

	2005	2004
<u>Assets</u>		
Cash	\$ 1,050	\$ 6,300
Cash deposit with clearing organization	7,312	7,244
Investment	4,497	3,300
Accounts receivable	<u>350</u>	<u>350</u>
Total assets	<u>\$ 13,209</u>	<u>\$ 17,194</u>
<u>Proprietor's Equity</u>		
Proprietor's equity	<u>\$ 13,209</u>	<u>\$ 17,194</u>

See accompanying notes to financial statements.

JAMES W. HUMBARD  
(a Sole Proprietorship)

Statement of Income and Proprietor's Equity

Years ended April 30, 2005 and 2004

	2005	2004
Revenues		
Commissions	\$ 6,524	\$ 9,297
Interest	68	34
Total revenues	<u>6,592</u>	<u>9,331</u>
Expenses		
Dues and fees	914	1,030
Professional services	1,500	1,523
Supplies	2,410	-
Total expenses	<u>4,824</u>	<u>2,553</u>
Net income	1,768	6,778
Proprietor's equity, beginning of year	17,194	12,016
Unrealized gain on securities	1,197	-
Proprietor's draws	<u>(6,950)</u>	<u>(1,600)</u>
Proprietor's equity, end of year	<u>\$ 13,209</u>	<u>\$ 17,194</u>

See accompanying notes to financial statements.

JAMES W. HUMBARD  
(a Sole Proprietorship)

Statement of Cash Flows

Years ended April 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Net income	\$ 1,768	\$ 6,779
Adjustments to reconcile net income to net cash flows from operating activities		
Deposit with clearing organization	(68)	(33)
Net cash from operating activities	<u>1,700</u>	<u>6,746</u>
Cash flows from financing activities		
Proprietor's withdrawals	<u>(6,950)</u>	<u>(1,600)</u>
Net increase (decrease) in cash	(5,250)	5,146
Cash, beginning of year	<u>6,300</u>	<u>1,154</u>
Cash, end of year	<u>\$ 1,050</u>	<u>\$ 6,300</u>

See accompanying notes to financial statements.

JAMES W. HUMBARD  
(a Sole Proprietorship)

**Notes to Financial Statements**

April 30, 2005 and 2004

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**(1) Summary of Significant Accounting Policies**

*Nature of Business*

James W. Humbard (the Proprietorship) is registered with the Securities and Exchange Commission as a broker/dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation. The Proprietorship serves clients primarily located in Eastern Washington. The Proprietorship's source of customers is through the sole proprietor.

All securities transactions are cleared through another broker/dealer on a fully disclosed basis. The Proprietorship does not hold or receive funds of subscribers or securities of issuers, and does not hold customer funds or securities.

*Proprietorship Accounting*

The financial statements have been prepared solely from the securities dealer accounts of James W. Humbard and do not include the personal accounts of the owner or those of any other operation in which he is engaged.

*Use of Estimates*

The preparation 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Investment*

Investment consists of 300 shares of NASDAQ stock purchased in a subscription offering to NASD members in connection with the first phase of NASDAQ private placement. The investment is considered available for sale and recorded at fair market value.

Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported as a separate component of proprietor's equity.

*Federal Income Taxes*

The Proprietorship is not a taxpaying entity for purposes of federal income tax. Income tax of the Proprietor is computed on his income from all sources. Accordingly, no provision has been made in these financial statements for federal income tax.

*Revenue Recognition*

The Proprietorship recognizes commission income net of clearing fees on a trade date basis.

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JAMES W. HUMBARD  
(a Sole Proprietorship)

**Notes to Financial Statements**

April 30, 2005 and 2004

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**(2) Related Party Transactions**

The Proprietorship uses, at no cost, office space, support staff and services provided by related businesses of the Proprietor.

**(3) Net Capital Requirements**

The Proprietorship is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, not exceed 15 to 1. At April 30, 2005, the Proprietorship had net capital of \$13,209, which was \$8,209 in excess of its required net capital of \$5,000. The Proprietorship had no aggregate indebtedness at April 30, 2005 and 2004.

**(4) Possession or Control Requirements**

The Proprietor adheres to the exemptive provisions of SEC rule 15c-3(k)(2)(B) by having clients send all funds and securities to the correspondent broker/dealer who carries the customer accounts. Therefore, the Proprietorship does not hold or have any possession or control of customer funds or securities.

**SUPPLEMENTAL INFORMATION**

JAMES W. HUMBARD  
(a Sole Proprietorship)

Computation of Net Capital Under SEC Rule 15c3-1

April 30, 2005 and 2004

	2005	2004
Computation of net capital		
Total proprietor's equity	\$ 13,209	\$ 17,194
Non-allowable assets: securities not readily marketable	<u>-</u>	<u>3,300</u>
Net capital	<u>\$ 13,209</u>	<u>\$ 13,894</u>
Aggregate indebtedness	<u>\$ -</u>	<u>\$ -</u>
Computation of basic net capital requirement		
Minimum net capital requires greater of 6-2/3% of total aggregate indebtedness	<u>\$ -</u>	<u>\$ -</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ 8,209</u>	<u>\$ 8,894</u>
Net capital less 10% of aggregate indebtedness	<u>\$ 13,209</u>	<u>\$ 13,894</u>
Percentage of aggregate indebtedness to net capital	<u>- %</u>	<u>- %</u>
Reconciliation with Company's computation (included in form X-17A-5, FOCUS Part II A)		
Net capital as reported in Company's FOCUS report	<u>\$ 13,209</u>	<u>\$ 13,894</u>

JAMES W. HUMBARD  
(a Sole Proprietorship)

**Computation For Determination of Reserve Requirements  
Under SEC Rule 15c3-3, Exemptive Provision**

April 30, 2005 and 2004

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The Proprietorship claims exemption from the reserve requirements of rule 15c3-3 under the following provisions:

(k)(2)(B) All customer transactions are cleared through another broker/dealer on a fully disclosed basis.

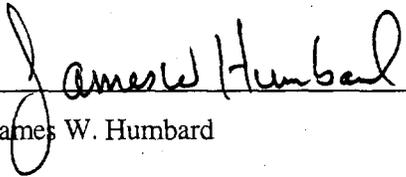
JAMES W. HUMBARD  
(a Sole Proprietorship)

**Statement Pursuant to SEC Rule 15c3-1(c)(2)(iii)**

April 30, 2005 and 2004

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I hereby represent that my assets not used in the course of business as a broker/dealer are greater than my liabilities incurred outside of the course of business as a broker/dealer.

  
James W. Humbard



Steven L. Alegria  
Scott E. Eschbach  
John K. Rothenbueler  
Barry J. Warner  
Matthew J. Anderton

Certified Public  
Accountants

John F. DePew (*Retired*)

James B. Shrader (1919-1990)  
Homer D. Engleman (1945-1990)

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

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Mr. James W. Humbard  
Selah, Washington

In planning and performing our audits of the financial statements and supplementary information of James W. Humbard (a sole proprietorship) for the years ended April 30, 2005 and 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by James W. Humbard including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g). This includes making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and compliance with the provisions of rule 15c3-3. Because the Proprietorship 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 Proprietorship in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13;
2. 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;
3. 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 Proprietorship is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Proprietorship has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

James W. Humbard

Page 2

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted the following matter involving the control environment and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audits of the financial statements of James W. Humbard (a sole proprietorship) for the years ended April 30, 2005 and 2004, and this report does not affect our report thereon dated June 16, 2005.

One of the basic elements of a satisfactory internal control environment is an organization which provides appropriate segregation of duties. Because of the limited size of the Proprietorship, it is not possible for this to be achieved.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Proprietorship's practices and procedures were adequate at April 30, 2005 and 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of James W. Humbard, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Alegria & Company, P. S.*

June 16, 2005