

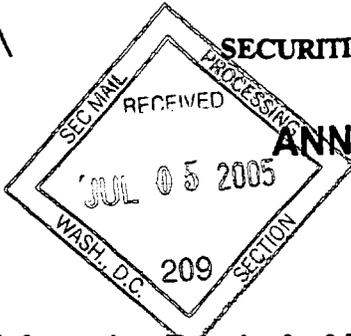
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| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | September 30, 1998 |
| Estimated average burden hours per response . . . | 12.00 |



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

| |
|-----------------|
| SEC FILE NUMBER |
| 8-36138 |

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 05/01/2004 AND ENDING 04/30/2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OAK TREE SECURITIES, INC.

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

3075 CITRUS CIRCLE

(No. and Street)

WALNUT CREEK CA 94598

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY

FIRM ID. NO.

PROCESSED
AUG 10 2005

HOWSON
FINANCIAL

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

W. PIERCE BROWNELL, CPA (415) 491-6400

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

W. PIERCE BROWNELL, CPA

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

7 MT. LASSEN DR. #D-254

SAN RAFAEL, CA 94903

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

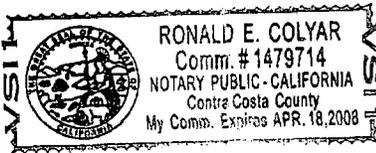
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

BP
KAT
8/9/05

OATH OR AFFIRMATION

I, DANIEL M. QUESADA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of OAK TREE SECURITIES, INC., 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:



Daniel M. Quesada
Signature
PRESIDENT
Title

Ronald E. Colyar
Notary Public

- This report** contains (check all applicable boxes):
- (a) Facing page.
 - (b) Statement of Financial Condition.
 - (c) Statement of Income (Loss).
 - (d) Statement of Changes in Financial Condition.
 - (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 15c3-1 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).

OAK TREE SECURITIES, INC.

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Board of Directors
Oak Tree Securities, Inc.

INDEPENDENT AUDITOR'S REPORT

I have audited the balance sheet of Oak Tree Securities, Inc. as of April 30, 2005 and the related statements of net income and changes in retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Oak Tree Securities, Inc. as of April 30, 2005 and results of operations and its cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States.

My audit has been performed for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in the supplementary schedules is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for information and use of 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 and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Anne Bassett". The signature is fluid and cursive, with a large initial "A" and a long, sweeping tail.

San Rafael, CA
June 23, 2005

OAK TREE SECURITIES, INC.
BALANCE SHEET
APRIL 30, 2005

ASSETS

| | |
|--|----------|
| Cash in bank and savings account | 11,213 |
| Cash in brokerage firm | 15,300 |
| Prepaid expense | 500 |
| Concessions & commissions receivable | 82,980 |
| Non-marketable security | 5,148 |
| Deferred tax benefit | 354 |
| Fixed Assets-Computer, phone and office equipment | 13,683 |
| (Less) Accumulated depreciation | (13,481) |
| NASDAQ Stock Market stock subscribed | 23,200 |
| Subscribed stock of others | (23,200) |

TOTAL ASSETS

115,697

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

| | |
|---------------------------------|---------------|
| Legal fees payable | 5,203 |
| Commissions/concessions payable | <u>79,025</u> |

TOTAL LIABILITIES

84,228

STOCKHOLDERS' EQUITY

| | |
|--|-----------------|
| Common Stock: Class A 100,000 shares authorized 1,000 outstanding | 100 |
| Class B 100,000 shares authorized 400 and 360 outstanding | 12,186 |
| Paid-in capital | 34,225 |
| Retained Earnings(Deficit)-Per Exhibit B | <u>(15,042)</u> |

TOTAL STOCKHOLDERS' EQUITY

31,469

**TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY**

115,697

Exhibit A

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

OAK TREE SECURITIES, INC.
STATEMENT OF LOSS
AND CHANGES IN RETAINED EARNINGS
FOR YEAR ENDED APRIL 30, 2005

REVENUES

| | |
|--|--------------|
| Concession, commission and advisory income | 1,207,749 |
| Interest | 509 |
| Unrealized gain on NASDAQ Stock | 3,273 |
| Other income including excess reimbursements | <u>4,429</u> |

TOTAL REVENUE **1,215,959**

LESS EXPENSES

| | |
|---------------------------------------|------------|
| Concession & commission expense | 1,089,490 |
| Depreciation | 92 |
| Operating expenses: | |
| Bank service charges | 20 |
| Insurance | 5,389 |
| Professional services and settlements | 50,358 |
| Office supplies | 7,390 |
| Management fee | 12,000 |
| Secretary and receptionist | 43,663 |
| Postage, delivery, printing & copying | 3,189 |
| Rent | 13,574 |
| Satellite and phone service | 1,784 |
| Dues and other expenses | 1,817 |
| Travel | |
| Education expense | 5,849 |
| Interest | <u>748</u> |

TOTAL EXPENSES **1,235,363**
(LOSS) BEFORE INCOME TAXES **(19,404)**

| | |
|--|--------------|
| Per federal and state income tax returns | 800 |
| Deferred taxes | <u>2,883</u> |

TOTAL INCOME TAXES **3,683**

(LOSS) **(23,087)**

Add: Retained Earnings, May 1, 2004 8,045

RETAINED EARNINGS (DEFICIT), April 30, 2005 **(15,042)**

Exhibit B

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

**OAK TREE SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED APRIL 30, 2005**

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| (Loss)-Per Exhibit B | (23,087) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 92 |
| Unrealized (gain) loss on security holding | (3,273) |
| Decrease (Increase) in commissions and concessions receivable | (219) |
| Increase (decrease) in commissions and concessions payable | 5,091 |
| Increase (Decrease) in accounts payable and other liabilities | (11,095) |
| (Increase) decrease in amounts due from US Government | |
| Decrease (increase) in deferred income tax benefit | <u>2,883</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | (29,608) |
| CASH FLOWS FROM INVESTING ACTIVITIES- | |
| CASH FLOWS FROM FINANCING ACTIVITIES- | |
| Capital contributed | <u>15,000</u> |
| NET CASH INCREASE (DECREASE) | (14,608) |
| CASH BALANCES, MAY 1, 2004 | <u>41,121</u> |
| CASH BALANCE, APRIL 30, 2005 | <u><u>26,513</u></u> |
| As shown on Exhibit A: | |
| Cash in bank /savings account | 11,213 |
| Cash in money market | |
| Cash in brokerage firm | <u>15,300</u> |
| Treasury bill | |
| Total | <u><u>26,513</u></u> |
| Amount spent (received on tax refunds) on income taxes during year ended April 30, 2005 | 800 |
| Payments during year on interest. | 748 |

Exhibit C

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

OAK TREE SECURITIES, INC.
STATEMENT OF NET CAPITAL AND
EXCESS NET CAPITAL
AS OF APRIL 30, 2005

| | | |
|---|------------|----------------|
| Stockholders' equity per Exhibit A | | 31,468 |
| Add Deferred tax on depreciation difference | | 27 |
| Deduct: | | |
| Fixed Assets net of accumulated depreciation | 202 | |
| Non-allowable commissions receivable net of related com- mission payable | 169 | |
| Prepaid expenses | 500 | |
| Deferred income tax benefit | <u>354</u> | |
| Total (deductions) | | <u>(1,225)</u> |
| Net capital before haircuts | | 30,270 |
| (Less) haircuts: | | |
| For Security-NASDAQ Stock 100% X \$5,148 | | <u>5,148</u> |

NET CAPITAL, APRIL 30, 2005 25,122

Schedule 1

Excess Net Capital:

| | | |
|---|-------|----------------------|
| Net capital, per schedule 1 above | | 25,122 |
| Minimum requirement $6 \frac{2}{3}\%$ X Total liabilities of \$84,228 x .06667 | | 5,615 |
| Minimum required | 5,000 | |
| Excess Net Capital, April 30, 2005 | | <u><u>19,507</u></u> |

Schedule 2

OAK TREE SECURITIES, INC.
RECONCILIATION OF NET CAPITAL
TO COMPANY'S FOCUS REPORT AS OF APRIL 30, 2005
AND STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR YEAR ENDED APRIL 30, 2005

| | |
|--|----------------------|
| Net capital per Company's Focus Report as of April 30, 2005 | 23,940 |
| ADD (DEDUCT) | |
| Additional commissions payable vable net of related commission receivable | (1,099) |
| Adjustment to unallowable receivables | 2,167 |
| Interest income adjustment | 87 |
| Deferred tax on depreciation | <u>27</u> |
| Net Capital-per Schedule 1 | <u>25,122</u> |

Schedule 3

| | |
|---|----------------------|
| Change in Stockholders' Equity: | |
| Stockholders Equity May 1, 2004 | 39,556 |
| Add Capital Contributed to Paid-in surplus | 15,000 |
| ('Less) Loss for year ended April 30, 2005 -Per Exhibit B | <u>(23,087)</u> |
| Stockholders' Equity, April 30, 2005-To Exhibit A | <u>31,469</u> |

Schedule 4

The Board of Directors of
Oak Tree Securities, Inc.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

I have audited the financial statements of Oak Tree Securities, Inc. (a California Corporation) for the year ended April 30, 2005 and have issued my report thereon dated June 23, 2005. As part of my audit, I made a study and evaluation of the Company's system of internal accounting control to the extent considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 Oak Tree Securities, Inc. that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3(k). I did not review the practices and procedures following by the Company (i) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of the differences required by Rule 17a-13 or (ii) in complying with the requirements for prompt payment for securities of Section 8 or Regulation T of the Board of Governors of the Federal Reserve System because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting 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 control 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. The objectives of a system 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 from loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in any system of internal accounting control or the practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

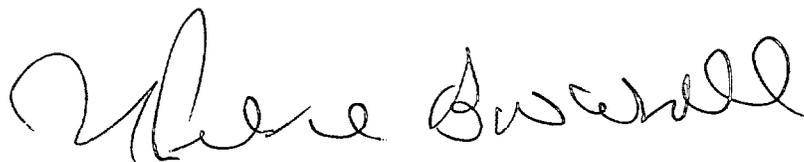
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My study and evaluation made for limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of Oak Tree Securities, Inc. taken as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

The contingent cases mentioned in the notes to these financial statements, are not considered material weaknesses. They are part of the uncertainties of the securities business.

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 those objectives in a material respect 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 April 30, 2004 to meet the Commission's objectives.

This report is intended solely for information and use of 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 and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Anne Swerdlow".

San Rafael, CA
June 23, 2005