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

OMB APPROVAL  
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hours per response..... 12.00

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED

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

SEC FILE NUMBER  
8- 02331

BRANCH OF REGISTRATIONS AND INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO SECTION 17 OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 17a-5 THEREUNDER

872111

REPORT FOR THE PERIOD BEGINNING 09/01/04 AND ENDING 08/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Investors Security Company, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

127 E. Washington Street, Suite 101

(No. and Street)

Suffolk

(City)

Virginia

(State)

23434

(Zip Code)

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

Christopher M. Holloway

757-539-2396

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Boyce, Spady & Moore PLC

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

1013 W. Washington Street

(Address)

Suffolk

(City)

Virginia

(State)

23434

(Zip Code)

CHECK ONE:

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

PROCESSED

FOR OFFICIAL USE ONLY

JAN 03 2005

THOMSON  
FINANCIAL

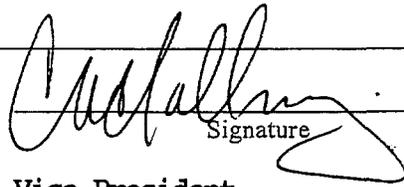
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Handwritten initials/signature

BB

OATH OR AFFIRMATION

I, Christopher M. Holloway, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investors Security Company, Inc., as of August 31, 20 05, 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  
Vice-President  
Title

  
Notary Public  
My Commission expires June 30, 2006

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Income (Loss)~~ **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).

**INVESTORS SECURITY COMPANY, INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2005**

<b>FORM X-17A-5</b>	<h1 style="margin: 0;">FOCUS REPORT</h1> <p style="margin: 0;">(Financial and Operational Combined Uniform Single Report)</p> <h2 style="margin: 0;">Part IIA Monthly 17a-5(a)</h2> <p style="margin: 0; font-size: small;">INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17</p>
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**COVER**

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Select a filing method: Basic  [0010]    Alternate  [0011]

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Name of Broker Dealer: INVESTORS SECURITY COMPANY, IN [0013] SEC File Number: 8- 12111 [0014]

Address of Principal Place of Business: 127 E. WASHINGTON STREET, Suite 101 [0020]

SUFFOLK VA 23434 [0021] [0022] Firm ID: 2331 [0015]

[0023]

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For Period Beginning 09/01/04 [0024] And Ending 08/31/05 [0025]

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Name and telephone number of person to contact in regard to this report:

Name: CHRISTOPHER HOLLOWAY, VP, FINOP [0030] Phone: 757-539-2396 [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ [0032] Phone: \_\_\_\_\_ [0033]

Name: \_\_\_\_\_ [0034] Phone: \_\_\_\_\_ [0035]

Name: \_\_\_\_\_ [0036] Phone: \_\_\_\_\_ [0037]

Name: \_\_\_\_\_ [0038] Phone: \_\_\_\_\_ [0039]

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Does respondent carry its own customer accounts? Yes  [0040] No  [0041]

Check here if respondent is filing an audited report  [0042]

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

Boyce, Spady & Moore PLC

70

ADDRESS      Number and Street      City      State      Zip Code

1013 W. Washington St.

71

Suffolk

72

VA

73

23434

74

Check One

Certified Public Accountant

75

FOR SEC USE

Public Accountant

76

Accountant not resident in United States or  
any of its possessions

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				

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# Boyce, Spady & Moore PLC

Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

The Officers and Directors  
Investors Security Company, Inc.  
Suffolk, Virginia 23434

We have audited the accompanying statement of financial condition of Investors Security Company, Inc. as of August 31, 2005, and the related statements of income, changes in stockholders' equity and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the 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 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. We believe that the audit provides 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 Investors Security Company, Inc. as of August 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Also, we have examined the Computation of Net Capital Schedule. Our reconciliation of the above computation revealed no material differences. In our opinion, this schedule presents fairly the information included therein in conformity with the rules of the Securities and Exchange Commission.

Boyce, Spady & Moore PLC

October 18, 2005

## ASSETS

		Consolidated <input type="radio"/> [0198]	Unconsolidated <input checked="" type="radio"/> [0199]		
		<b>Allowable</b>	<b>Non-Allowable</b>	<b>Total</b>	
1.	Cash	<u>297,901</u>		<u>297,901</u>	
		[0200]		[0750]	
2.	Receivables from brokers or dealers:				
	A. Clearance account	_____			
		[0295]			
	B. Other	<u>453,172</u>		<u>453,172</u>	
		[0300]	[0550]	[0810]	
3.	Receivables from non- customers	_____	<u>69,121</u>	<u>69,121</u>	
		[0355]	[0600]	[0830]	
4.	Securities and spot commodities owned, at market value:				
	A. Exempted securities	_____			
		[0418]			
	B. Debt securities	_____			
		[0419]			
	C. Options	_____			
		[0420]			
	D. Other securities	<u>39,939</u>			
		[0424]			
	E. Spot commodities	_____		<u>39,939</u>	
		[0430]		[0850]	
5.	Securities and/or other investments not readily marketable:				
	A. At cost	_____			
		[0130]			
	B. At estimated fair value	_____	_____	_____	
		[0440]	[0610]	[0860]	
6.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:	_____	_____	_____	
		[0460]	[0630]	[0880]	



## LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	_____ [1045]	_____ [1255]	_____ [1470]
14. Payable to brokers or dealers:			
A. Clearance account	_____ [1114]	_____ [1315]	_____ [1560]
B. Other	<b>409,796</b> _____ [1115]	_____ [1305]	<b>409,796</b> _____ [1540]
15. Payable to non-customers	<b>39,884</b> _____ [1155]	_____ [1355]	<b>39,884</b> _____ [1610]
16. Securities sold not yet purchased, at market value		_____ [1360]	_____ [1620]
17. Accounts payable, accrued liabilities, expenses and other	<b>13,916</b> _____ [1205]	_____ [1385]	<b>13,916</b> _____ [1685]
18. Notes and mortgages payable:			
A. Unsecured	_____ [1210]		_____ [1690]
B. Secured	_____ [1211]	_____ [1390]	_____ [1700]
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		<b>120,000</b> _____ [1400]	<b>120,000</b> _____ [1710]
1. from outsiders			
	_____ [0970]		
2. Includes equity subordination (15c3-1(d)) of			
	_____ [0980]		
B. Securities borrowings, at market value:		_____ [1410]	_____ [1720]

	from outsiders			
		[0990]		
C.	Pursuant to secured demand note collateral agreements:			
			[1420]	[1730]
1.	from outsiders			
		[1000]		
2.	Includes equity subordination (15c3-1(d)) of			
		[1010]		
D.	Exchange memberships contributed for use of company, at market value		[1430]	[1740]
E.	Accounts and other borrowings not qualified for net capital purposes			
		[1220]	[1440]	[1750]
20.	<b>TOTAL LIABILITIES</b>	<b>463,596</b>	<b>120,000</b>	<b>583,596</b>
		[1230]	[1450]	[1760]

**Ownership Equity**

		<b>Total</b>
21.	Sole proprietorship	[1770]
22.	Partnership (limited partners [1020] )	[1780]
23.	Corporations:	
A.	Preferred stock	[1791]
B.	Common stock	<b>5,300</b> [1792]
C.	Additional paid-in capital	<b>80,283</b> [1793]

## Part IIA

D.	Retained earnings	<u>280,816</u>	[1794]
E.	Total	<u>366,399</u>	[1795]
F.	Less capital stock in treasury	<u>          </u>	[1796]
24.	<b>TOTAL OWNERSHIP EQUITY</b>	<u>366,399</u>	[1800]
25.	<b>TOTAL LIABILITIES AND OWNERSHIP EQUITY</b>	<u>949,995</u>	[1810]



**EXEMPTIVE PROVISIONS**

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k) (1)--Limited business (mutual funds and/or variable annuities only)  [4550]

B. (k) (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained  [4560]

C. (k) (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)  [4570]

Clearing Firm SEC#s	Name	Product Code
8- <u>35158</u> [4335A]	<u>First Clearing LLC</u>	<u>All</u> [4335B]
8- _____ [4335C]	_____	_____ [4335D]
8- _____ [4335E]	_____	_____ [4335F]
8- _____ [4335G]	_____	_____ [4335H]
8- _____ [4335I]	_____	_____ [4335J]

D. (k) (3)--Exempted by order of the Commission  [4580]

a.	Includes interest on accounts subject to subordination agreements	<u>3,275</u>	[4070]
14.	Regulatory fees and expenses		<u>[4195]</u>
15.	Other expenses		<u>6,139,297</u>
			[4100]
16.	Total expenses		<u>6,593,386</u>
			[4200]

**NET INCOME**

17.	Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)	<u>177,568</u>	[4210]
18.	Provision for Federal Income taxes (for parent only)	<u>60,510</u>	[4220]
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above		<u>[4222]</u>
a.	After Federal income taxes of	<u>[4238]</u>	
20.	Extraordinary gains (losses)		<u>[4224]</u>
a.	After Federal income taxes of	<u>[4239]</u>	
21.	Cumulative effect of changes in accounting principles		<u>[4225]</u>
22.	Net income (loss) after Federal income taxes and extraordinary items	<u>117,058</u>	[4230]

**MONTHLY INCOME**

23.	Income (current monthly only) before provision for Federal income taxes and extraordinary items	<u>29,573</u>	[4211]
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9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):		
A.	Contractual securities commitments	_____	[3660]
B.	Subordinated securities borrowings	_____	[3670]
C.	Trading and investment securities:		
1.	Exempted securities	_____	[3735]
2.	Debt securities	_____	[3733]
3.	Options	_____	[3730]
4.	Other securities	<u>5,272</u>	[3734]
D.	Undue Concentration	_____	[3650]
E.	Other (List)		
		_____	[3736A] [3736B]
		_____	[3736C] [3736D]
		_____	[3736E] [3736F]
		_____	[3736] <u>5,272</u> [3740]
10.	Net Capital		<u>322,144</u> [3750]

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

#### Part A

11.	Minimum net capital required (6-2/3% of line 19)	<u>30,906</u>	[3756]
12.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	<u>100,000</u>	[3758]
13.	Net capital requirement (greater of line 11 or 12)	<u>100,000</u>	[3760]
14.	Excess net capital (line 10 less 13)	<u>222,144</u>	[3770]
15.	Excess net capital at 1000% (line 10 less 10% of line 19)	<u>275,784</u>	[3780]

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16.	Total A.I. liabilities from Statement of Financial Condition		<u>463,596</u> [3790]
17.	Add:		
	A. Drafts for immediate credit	<u>                    </u>	[3800]
	B. Market value of securities borrowed for which no equivalent value is paid or credited	<u>                    </u>	[3810]
	C. Other unrecorded amounts(List)		
		<u>                    </u>	[3820A]
		<u>                    </u>	[3820B]
		<u>                    </u>	[3820C]
		<u>                    </u>	[3820D]
		<u>                    </u>	[3820E]
		<u>                    </u>	[3820F]
		<u>                    </u>	[3820]
19.	Total aggregate indebtedness		<u>463,596</u> [3830]
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)	%	<u>144</u> [3840]
			[3850]

**OTHER RATIOS**

21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		% <u>                    </u> [3860]
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**SCHEDULED WITHDRAWALS**

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]	[4601]	[4602]	[4603]	[4604]	[4605]
[4610]	[4611]	[4612]	[4613]	[4614]	[4615]
[4620]	[4621]	[4622]	[4623]	[4624]	[4625]
[4630]	[4631]	[4632]	[4633]	[4634]	[4635]
[4640]	[4641]	[4642]	[4643]	[4644]	[4645]
[4650]	[4651]	[4652]	[4653]	[4654]	[4655]
[4660]	[4661]	[4662]	[4663]	[4664]	[4665]
[4670]	[4671]	[4672]	[4673]	[4674]	[4675]
[4680]	[4681]	[4682]	[4683]	[4684]	[4685]
[4690]	[4691]	[4692]	[4693]	[4694]	[4695]
		<b>TOTAL</b>	<b>NONE</b>		
		\$	[4699]		

Omit Pennies

**Instructions** Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

**STATEMENT OF CHANGES**


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**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1.	Balance, beginning of period		<u>243,261</u>	
				[4240]
	A. Net income (loss)		<u>117,058</u>	
				[4250]
	B. Additions (includes non-conforming capital of	<u>-0-</u>	<u>6,080</u>	
		[4262] )		[4260]
	C. Deductions (includes non-conforming capital of			
		[4272] )		[4270]
2.	Balance, end of period (From item 1800)		<u>366,399</u>	[4290]

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3.	Balance, beginning of period		<u>120,000</u>	
				[4300]
	A. Increases			[4310]
	B. Decreases			[4320]
4.	Balance, end of period (From item 3520)		<u>120,000</u>	[4330]

**INVESTORS SECURITY COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended August 31, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$	117,058
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		13,357
Loss on disposal of fixed assets		10,684
Realized gain on securities sold		(864)
Unrealized gain on securities owned		(1,688)
Amortization		4,486
Changes in assets and liabilities:		
Accounts receivables		65,783
Other assets		68,615
Other payables		<u>(109,530)</u>
Net cash provided by operating activities		<u>167,901</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments		8,616
Purchase of investment securities		(13,088)
Purchase of fixed assets		(65,529)
Loans to officers		(56,077)
Sale of capital stock		<u>6,080</u>
Net cash used by investing activities		<u>(119,998)</u>

Net increase in cash		47,903
Cash beginning of year		<u>249,998</u>
Cash end of year	\$	<u>297,901</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid for interest	\$	<u>3,483</u>
------------------------	----	--------------

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

Purchase of equipment	\$	65,529
Loan Proceeds		<u>-</u>
Cash invested	\$	<u>65,529</u>

See accompanying notes to financial statements.

**INVESTORS SECURITY COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2005**

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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Method.** The Corporation uses the accrual basis of accounting for financial statement and income tax purposes. It is subject to regulation by the Securities and Exchange Commission and by the National Association of Securities Dealers, and it follows accounting and record keeping policies established by those agencies. Transactions with brokers and customers are recorded as of the trade date rather than the settlement date. Inventories of securities and investments are stated at market value. The Corporation depreciates office furniture and equipment over a ten (10) year life, Straight-Line method for assets acquired before January 1, 1981. Assets acquired since December 31, 1980, are depreciated under the two hundred percent (200%) Declining Balance method with a shift to Straight-Line to provide total write-off over the applicable useful life, with the assumption that all acquisitions occur midway through the year. (For federal income tax purposes, this is known as the Modified Accelerated Cost Recovery System, MACRS.) Depreciation lives are seven (7) years for equipment and furniture.

**Use of Estimates.** 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 these estimates.

**Concentrations of Credit Risk Arising from Cash Deposits.** The Company maintains cash balances at financial institutions located in Suffolk. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At August 31, 2005 the Company's uninsured cash balances total \$203,562.

**Advertising.** The Company expenses advertising costs as they are incurred.

**Cash Equivalents.** For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three (3) months or less to be cash equivalents.

**Accounts Receivable.** Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

In managements' opinion, accounts receivable as of August 31, 2005 are collectible and no material uncollectible accounts exist.

**NOTE 2. SUBORDINATED LOAN**

Effective November 13, 2002 and amended December 13, 2004 Cabell B. Birdsong loaned the Company \$120,000 under a subordinated loan agreement that was approved by NASD. This loan is due January 31, 2008. However, the loan cannot be repaid without the prior consent of NASD. The Company paid interest of \$3,275 to Cabell B. Birdsong for this loan.

**INVESTORS SECURITY COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2005**

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**NOTE 3. CONTINGENT LIABILITIES**

The Company has no known contingent liabilities.

**NOTE 4. INCOME TAX EXPENSE**

Federal income tax returns have been examined through the fiscal year ended August 31, 1993 by the Internal Revenue Service. There are no outstanding items. Deferred income taxes are provided for timing differences between financial statement and income tax reporting.

Deferred tax – Asset	\$ 5,471
Deferred tax – Liability	<u>3,180</u>
Net deferred taxes	<u><u>2,291</u></u>

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following:

Deferred tax assets:	
Capital loss on carryover	\$ <u>5,471</u>

The net operating loss carryover of \$185,207 expires August 31, 2023. The majority of the capital loss carryover expires August 31, 2008.

Deferred tax liabilities:	
Property, Plant and Equipment	\$ <u>3,180</u>

The Company's provision for income taxes differs from applying the statutory U. S. Federal income tax rate to income before income taxes. The primary differences result from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

**INVESTORS SECURITY COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2005**

**NOTE 5. LEASES**

The Corporation leased its office space from a stockholder. The Corporation paid the cost of taxes, fuel, electricity, water, sewage and other utilities. The lease was terminated on August 14, 2005.

Effective August 15, 2005 the Company leased office space from an unrelated company. The term of the lease is for seven (7) years. Minimum lease payments under this lease were \$2,470 for the current year.

The Corporation also leases three (3) vehicles. The terms of the leases are for three (3) years. The Corporation also leases several pieces of office equipment with terms of three (3) to five (5) years. Minimum lease payments under these leases were \$36,434 for the current year. Future minimum lease commitments under all non-cancelable leases are as follows:

August 31, 2006	\$ 72,554
August 31, 2007	64,164
August 31, 2008	57,963
August 31, 2009	54,399
August 31, 2010	55,909
August 31, 2011	53,396
August 31, 2012	<u>54,860</u>
Total	<u>\$ 413,245</u>

**NOTE 6. CAPITAL**

Stock ownership and management at August 31, 2005:

Cabell B. Birdsong	President, Treasurer and Director	100 sh.	94%
Christopher M. Holloway	Vice-President, Secretary and Director	<u>6 sh.</u>	<u>6%</u>
		<u>106 sh.</u>	<u>100%</u>

Investors Security Company, Inc. was incorporated August 24, 1964, under Virginia law.

# Boyce, Spady & Moore PLC

Certified Public Accountants & Consultants

October 18, 2005

Stockholders and Directors  
Investors Security Company, Inc.  
Suffolk, Virginia 23434

The Company's unaudited Focus Report for August 31, 2005, shows a net capital of \$310,182. The audited Focus Report of August 31, 2005, shows a net capital of \$322,144. Listed below is the reconciliation of the difference of \$11,962 between the net capital as shown on the unaudited Focus Report and as shown on the audited Focus Report:

Net capital as reported in Company's part II A (Unaudited) Focus Report	\$ 310,182
Decrease in liabilities	<u>11,962</u>
Net capital per audited report	<u>\$ 322,144</u>

Boyce, Spady & Moore PLC

# Boyce, Spady & Moore PLC

Certified Public Accountants & Consultants

October 18, 2005

The Officers and Directors  
Investors Security Company, Inc.  
Suffolk, Virginia 23434

In planning and performing our audit of the financial statements of Investors Security Company, Inc. for the year ended August 31, 2005, 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 the internal control structure.

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 the Company, including tests of compliance with such practices and procedures that we considered relevant to the 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 the reserve required by rule 15c3(e). Because the Company 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 Company in any of the following:

1. Making 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 understanding 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 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 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 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.

Because of inherent limitations in internal control or the practices and procedures referred to above, error 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 that a minimum of internal control procedures are in effect. Such a situation would normally be expected under the circumstances, because Investors Security Company, Inc.'s normal staff consists of the principal, who is the primary stockholder, the controller, and several clerks. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Investors Security Company, Inc. for the fiscal year ended August 31, 2005, and this report does not affect our report thereon dated October 18, 2005.

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 August 31, 2005, to meet the Commission's objectives.

This report is intended solely for the information and use of management and the Securities and Exchange Commission as required by Rule 17a-5 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.

Boyer, Spady & Moore P/C