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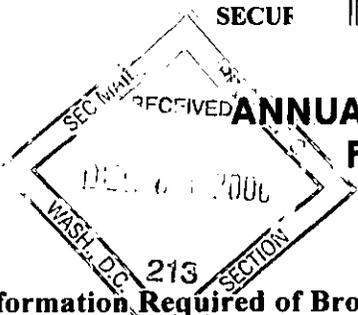


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-47065

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 10-01-2005 AND ENDING 09-30-2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: NORTH COAST SECURITIES CORPORATION

OFFICIAL USE ONLY
FIRM I.D. NO.

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

9995 GATE PARKWAY NORTH, SUITE 300

JACKSONVILLE (City) FL (State) 32246 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
FRANKLIN A. PASTERCZYK 904-861-0600  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

REGALIA & ASSOCIATES, CPA'S

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

103 TOWN & COUNTRY DR., STEK DANVILLE (Address) CA (State) 94526 (Zip Code)

CHECK ONE:

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

**PROCESSED**  
**DEC 26 2006**  
**THOMSON FINANCIAL**

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)

OATH OR AFFIRMATION

I, FRANKLIN A. PASTERCZYK

swear (or affirm) that, to the best of

my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

NORTH COAST SECURITIES CORPORATION, as

of SEPTEMBER 30, 20 06, are true and correct. I further swear (or affirm) that

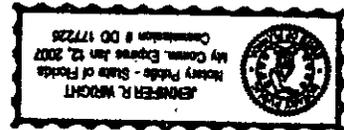
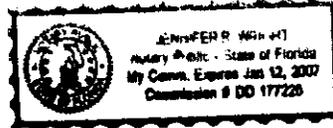
neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FA P  
Signature

PRESIDENT / CEO  
Title

Jennifer R. Wright  
Notary Public  
Jennifer R. Wright



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 15c3-1 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.

Personally known

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



Regalia &  
Associates

CERTIFIED PUBLIC ACCOUNTANTS  
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526  
DOUGLAS W. REGALIA, CPA, A PROFESSIONAL CORPORATION  
MARIANNE RYAN, AUDITOR  
DANA E. CHAVARRIA, CPA, CONSULTANT  
KENNETH E. REGALIA, CPA, CONSULTANT  
OFFICE: 925.314.0390 FAX: 925.314.0469

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
North Coast Securities Corporation

We have audited the accompanying balance sheets of North Coast Securities Corporation (the Company) as of September 30, 2006 and 2005 and the related statements of operations, cash flows and changes in stockholder's equity for the years ended September 30, 2006 and 2005. 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 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 the audits 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 our audits provide a reasonable basis for our opinion.

As discussed in Note 13, the Company operates in a highly regulated and competitive industry. Consequently, the Company has incurred losses and negative cash flows from operations since 1998. Management is seeking to increase revenues through the marketing of its products while controlling expenditures to meet its working capital needs. However, additional cash and working capital will be required and the Company will be required to continue to increase revenues and control costs, or obtain additional equity and/or financing. There can be no assurance that the Company's efforts to achieve profitable operations or obtain new equity and/or financing will be realized.

In our opinion, except as noted above and in Note 13 in the Notes to the financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2006 and 2005 and the results of its operations and its cash flows for the years ended September 30, 2006 and 2005 in conformity with accounting principles generally accepted in the United States.

The supplemental schedules of computation of net capital and computation of basic net capital requirement is presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

November 29, 2006  
Danville, California

*Regalia & Associates*

**NORTH COAST SECURITIES CORPORATION**

**Balance Sheets**  
**September 30, 2006 and 2005**

**ASSETS**

	2006	2005
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,202	4,407
Concessions and commissions receivable	9,082	15,485
Other receivables	10,897	10,897
Investments, at cost	57,108	46,857
<b>Total current assets</b>	<b>79,289</b>	<b>77,646</b>
<b>Noncurrent assets:</b>		
Property and equipment, net	2,271	6,009
Deferred income taxes	344,790	348,703
Prepaid expenses and other assets	3,605	200
<b>Total noncurrent assets</b>	<b>350,666</b>	<b>354,912</b>
	<b>\$ 429,955</b>	<b>432,558</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 8,540	33,043
<b>Total current liabilities</b>	<b>8,540</b>	<b>33,043</b>
<b>Stockholder's equity:</b>		
Common stock, \$10 par value; 100 shares authorized; 50 shares issued and outstanding	500	500
Contributed capital in excess of par	1,166,215	1,166,215
Retained deficit	(745,300)	(767,200)
<b>Total stockholder's equity</b>	<b>421,415</b>	<b>399,515</b>
	<b>\$ 429,955</b>	<b>432,558</b>

See accompanying auditors' report and notes to financial statements.

# NORTH COAST SECURITIES CORPORATION

## Statements of Operations For The Years Ended September 30, 2006 and 2005

Revenues:	2006	2005
Commissions and concessions	\$ 635,479	631,507
Mutual fund and limited partnership income	39,181	9,990
Insurance products	1,634	2,058
Rebate and reimbursements	60,050	47,132
Private placement fees	600,870	1,001,544
Trading gains (losses), net	10,596	3,883
Registered rep fees	-	150
Interest income	19,633	18,861
Other	542,324	361,205
Total revenues	1,909,767	2,076,330
Expenses:		
Accounting	8,700	8,667
Bank charges	1,465	2,955
Clearing fees	141,509	121,639
Commissions and concessions	638,743	806,273
Consulting and outside services	5,948	8,617
Depreciation expense	3,738	4,979
Dues and subscriptions	1,219	776
Equipment lease	-	161
Insurance	7,003	6,058
Interest	1	210
Legal	65,553	10,845
Office	1,131	4,971
Postage	3,398	3,759
Recruiting	767,228	895,121
Regulatory fees	27,679	21,528
Rent	18,000	24,600
Repairs and maintenance	965	722
Salaries and related expenses	179,570	185,480
Telephone	237	1,753
Travel and entertainment	2,658	894
Miscellaneous	8,409	833
Total expenses	1,883,154	2,110,841
Income (loss) before for income taxes	26,613	(34,511)
Provision for income tax expense	4,713	800
Net income (loss)	21,900	(35,311)
Retained deficit, beginning of period	(767,200)	(731,889)
Retained deficit, end of period	\$ (745,300)	(767,200)

See accompanying auditors' report and notes to financial statements.

**NORTH COAST SECURITIES CORPORATION**

**Statements of Changes in Stockholder's Equity  
For The Years Ended September 30, 2006 and 2005**

	Common Stock	Contributed Capital In Excess of Par	Retained Earnings (Deficit)
Balances at September 30, 2004	\$ 500	1,165,815	(731,889)
Net loss for the year ended September 30, 2004	-	-	(35,311)
Contributions of capital by stockholder	-	400	-
Balances at September 30, 2005	500	1,166,215	(767,200)
Net income for the year ended September 30, 2006	-	-	21,900
Contributions of capital by stockholder	-	-	-
<b>Balances at September 30, 2006</b>	<b>\$ 500</b>	<b>1,166,215</b>	<b>(745,300)</b>

See accompanying auditors' report and notes to financial statements.

**NORTH COAST SECURITIES CORPORATION**

**Statements of Cash Flows  
For The Years Ended September 30, 2006 and 2005**

	2006	2005
<i>Operating activities:</i>		
Net income (loss)	\$ 21,900	(35,311)
Depreciation expense	3,738	4,979
Adjustments to reconcile to cash provided by (used for) operating activities:		
Changes in:		
Concessions and commissions receivable	6,403	(3,169)
Other receivables	-	905
Inventory	(10,251)	3,963
Other assets	(3,405)	1,674
Accounts payable and accrued liabilities	(24,503)	15,801
Lease payable	-	(2,947)
Cash used for operating activities	(2,205)	(14,105)
 <i>Investing activities:</i>		
Acquisition of property and equipment	-	(541)
Net cash used for investing activities	-	(541)
 <i>Financing activities:</i>		
Proceeds from capital contributions made by shareholder	-	400
Cash provided by financing activities	-	400
Decrease in cash	(2,205)	(14,246)
Cash and cash equivalents, beginning of period	4,407	18,653
Cash and cash equivalents, end of period	\$ 2,202	4,407
 <i>Additional cash flow information:</i>		
Income taxes paid	\$ 800	800
Interest paid	\$ 1	210
Disposal of fully depreciated property and equipment	\$ -	-

**See accompanying auditors' report and notes to financial statements.**

**Notes to Financial Statements  
September 30, 2006 and 2005**

**1. Organization**

North Coast Securities Corporation (the "Company") is a C Corporation incorporated in the State of California on September 30, 1993. The Company relocated its headquarters to Florida in 2004.

The Company generates its revenues primarily from trading proprietary securities and generating commissions on customer transactions. The Company clears all customer transactions on a fully disclosed basis in accordance with a sub-clearing agreement with First Allied Securities, Inc. (a non-bank affiliate of Wells Fargo Bank). In the normal course of business, the Company will have unsettled securities transactions with its clearing broker, which normally settle in three business days.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Revenue Recognition*

The Company recognizes revenue when services are performed. Securities transactions and related revenues and expenses are recorded in the financial statements on a trade date basis.

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost in the financial statements. Depreciation is provided using the straight-line method over the estimated useful lives of three to five years.

*Organizational Expenses*

The Company has capitalized certain professional fees and start-up expenses as organizational costs. They have been fully amortized under the straight-line method over 60 months.

*Investments*

In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Debt and Equity Securities" (SFAS 115) securities are classified into three categories: held-to-maturity, available-for-sale, and trading. At September 30, 2006 and 2005, the Company had no held-to-maturity or available-for-sale investments. Securities classified as trading may be sold in response to changes in interest rates, liquidity needs, and for other purposes. Trading securities are reported at fair value if quoted market prices are available.

*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 certain reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**Notes to Financial Statements**

**2. Summary of Significant Accounting Policies** *(continued)*

*Unrealized Holding Gains and Losses*

Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported, net of any income tax effect, as a separate component of stockholder's equity. Realized and unrealized gains and losses are reported as "trading gains (losses)" on the statements of operations and the calculations are based on the adjusted cost of the specific investments sold.

*Income Taxes*

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Statement 109 requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

**3. Property and Equipment**

Property and equipment consist of the following at September 30, 2006 and 2005:

	2006	2005
Office Equipment	\$ 37,846	37,305
Less: accumulated depreciation	(35,575)	(31,837)
Property and equipment, net	\$ 2,271	6,009

Depreciation expense amounted to \$3,738 and \$4,979 for the years ended September 30, 2006 and 2005, respectively.

**4. Investments**

Investments of \$57,108 and \$46,857 at September 30, 2006 and 2005, respectively, represent various publicly traded securities held by the Company. All securities are stated at market value as determined by available published market quotes.

**5. Organizational Costs**

The Company has capitalized \$9,171 of organizational costs related to legal fees and other start-up expenses. Organizational costs have been fully amortized as of September 30, 2006 and 2005.

**6. Regulated Entity**

The Company is subject to the rules and regulations as prescribed by the National Association of Securities Dealers (NASD) as well as the Securities and Exchange Commission. The Company is required to file quarterly "Focus Reports" summarizing certain financial data on Form X-17A-5. The Company is also required to maintain prescribed minimum net capital requirements. During the years ended September 30, 2006 and 2005, the Company remitted \$27,179 and \$21,103 in regulatory fees, respectively, to the NASD.

**Notes to Financial Statements**

**7. Additional Capital Contributed by Stockholder**

During the year ended September 30, 2005, the stockholder contributed additional capital of \$400 which has been reflected as contributed capital in excess of par on the balance sheets at September 30, 2005.

**8. Leases**

*Office*

The Company leases its corporate office premises in Jacksonville, Florida under a month-to-month operating lease agreement which stipulates monthly rent of \$1,500. The Company terminated its office lease in San Francisco, California in March 2005.

Rent expense amounted to \$18,000 and \$24,600 for the years ended September 30, 2006 and 2005, respectively.

**9. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission ("SEC") Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. During the years ended September 30, 2006 and 2005, the Company's net capital requirement was equal to \$5,000 per the NASD Regulations.

At September 30, 2006, the Company had net capital of \$35,446, which was \$29,446 in excess of the required net capital of \$6,000 (110% of \$5,000). At September 30, 2005, the Company had net capital of \$22,975, which was \$16,975 in excess of the required net capital of \$6,000 (110% of \$5,000). The Company's ratio of aggregate indebtedness to net capital was approximately 1.44 to 1 at September 30, 2006 and 1.44 to 1 at September 30, 2005.

**Notes to Financial Statements**

**10. Income Taxes**

Components of income tax expense for the years ended September 30, 2006 and 2005 are as follows:

	2006	2005
Current:		
Federal	\$ -	-
State	800	800
Total current income tax expense	800	800
Deferred:		
Federal	3,913	-
State	-	-
Total deferred income tax expense	3,913	-
Total income tax expense	\$ 4,713	800

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The types of temporary differences that give rise to significant portions of the deferred tax liability and affect deferred tax expense include differences in accounting for depreciation and amortization, net operating loss carryforwards, and capitalized costs.

Realization of the deferred income taxes depends on the generation of sufficient taxable income by the Company. If the Company is unable to generate pre-tax earnings, the deferred income tax benefit will not materialize, and the deferred tax asset of \$344,790 will have no value. At September 30, 2006, deferred taxes were reduced by the Federal deferred taxes of \$3,913 for the year ended September 30, 2006. At September 30, 2005, a valuation allowance of \$6,162 equal to the calculated deferred tax benefit of \$6,162 for the year ended September 30, 2005 was recorded, resulting in no additional deferred income tax benefit for the year ended September 30, 2005.

**11. Reclassifications**

Certain reclassifications have been made to the 2005 financial statements in order to conform to the presentation used in 2006.

**12. Commitments and Contingencies**

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts, which are not reflected in the financial statements. Management believes that such commitments or contingencies will not have a material adverse effect on the financial statements.

Notes to Financial Statements

13. Operating Losses

The Company operates in a highly regulated and competitive industry. Consequently, the Company has incurred losses and negative cash flows from operations between 1998 and 2002. During the year ended September 30, 2003, the Company reported income before income taxes of \$47,525 (which translated to positive cash flow from operations of \$21,819), its first profitable year of operations since 1997. During the years ended September 30, 2005 and 2004, the Company reported net losses of \$37,058 and \$51,729, respectively. During the year ended September 30, 2006, the Company reported net income of \$21,900. Management is seeking to continue to increase revenues through the marketing of its products while controlling expenditures to meet its working capital needs. However, additional cash and working capital may be required and the Company will need to continue to increase revenues and control costs, or obtain additional equity and/or financing in order to maintain or achieve required regulatory capital balances. There can be no assurance that the Company's efforts to sustain or achieve profitable operations or obtain new equity and/or financing will be realized.

# NORTH COAST SECURITIES CORPORATION

## Focus IIA Calculations September 30, 2006

### Net Capital Computations

#### Computation of Net Capital

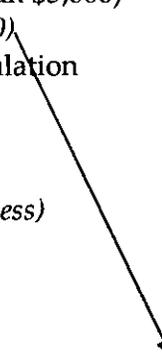
Total ownership equity	[3480]	0	\$ 421,415
Total ownership equity qualified	[3500]	0	421,415
Total capital and allowable subordinated liability	[3530]	0	421,415
Total non-allowable assets	[3540]	\$ 361,563	0
Total deductions	[3620]	0	361,563
Net capital before haircuts	[3640]	0	59,852
Total haircuts (including undue concentration)	[3740]	0	16,640
Net capital	[3750]	0	43,212

#### Computation of Basic Net Capital Requirement

Minimum net capital required (but not less than \$5,000) <i>(6 2/3% of aggregate indebtedness- line 3840)</i>	[3756]	569	5,000
Minimum dollar net capital required per Regulation	[3758]	0	5,000
Net capital requirement (110% of \$5,000)	[3760]	0	6,000
Excess net capital [3750] - [3760]	[3770]	0	37,212
Excess net capital at 100% <i>(Net capital less 10% of aggregate indebtedness)</i>	[3780]	0	42,358

#### Computation of Aggregate Indebtedness

Total aggregate indebtedness liabilities	[3790]	0	8,540
Total aggregate indebtedness	[3840]	0	8,540
Percentage of aggregate indebtedness to net capital	[3850]	0	19.76%
Percent debt to debt-equity total	[3860]	0	2.0%



**NORTH COAST SECURITIES CORPORATION**

**Focus IIA Calculations  
September 30, 2005**

**Net Capital Computations**

**Computation of Net Capital**

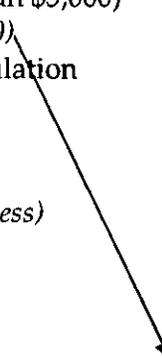
Total ownership equity	[3480]	0	\$ 399,515
Total ownership equity qualified	[3500]	0	399,515
Total capital and allowable subordinated liability	[3530]	0	399,515
<hr/>			
Total non-allowable assets	[3540]	\$ 365,809	0
Total deductions	[3620]	0	365,809
Net capital before haircuts	[3640]	0	33,706
Total haircuts (including undue concentration)	[3740]	0	10,731
<hr/>			
Net capital	[3750]	0	22,975

**Computation of Basic Net Capital Requirement**

Minimum net capital required (but not less than \$5,000) <i>(6 2/3% of aggregate indebtedness- line 3840)</i>	[3756]	2,319	5,000
Minimum dollar net capital required per Regulation	[3758]	0	5,000
Net capital requirement (110% of \$5,000)	[3760]	0	6,000
Excess net capital [3750] - [3760]	[3770]	0	16,975
Excess net capital at 100% <i>(Net capital less 10% of aggregate indebtedness)</i>	[3780]	0	19,671

**Computation of Aggregate Indebtedness**

Total aggregate indebtedness liabilities	[3790]	0	33,043
Total aggregate indebtedness	[3840]	0	33,043
Percentage of aggregate indebtedness to net capital	[3850]	0	143.8%
Percent debt to debt-equity total	[3860]	0	8.3%





Regalia &  
Associates

CERTIFIED PUBLIC ACCOUNTANTS  
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526  
DOUGLAS W. REGALIA, CPA, A PROFESSIONAL CORPORATION  
MARIANNE RYAN, AUDITOR  
DANA E. CHAVARRIA, CPA, CONSULTANT  
KENNETH E. REGALIA, CPA, CONSULTANT  
OFFICE: 925.314.0390 FAX: 925.314.0469

November 29, 2006

**The Board of Directors  
North Coast Securities Corporation**

We have recently concluded our audit of the financial statements of the North Coast Securities Corporation (the Company) for the year ended September 30, 2006 and we are presenting our comments and recommendations to management.

We conducted our 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.

**Required Disclosures**

In accordance with the United States Department of the Treasury Annual Audit Report (Form G-405), the following disclosures are made:

- A "statement of changes in liabilities subordinated to claims of creditors" is not included with the basic set of financial statements because there were no subordinated claims of creditors.
- Regalia & Associates, CPA's, did not find any material inadequacies during the course of our examination. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

**Internal Control**

In planning and performing our audit of the financial statements of the Company for the year ended September 30, 2006, we considered its internal control structure 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.

Internal Control (continued)

The management of the Company is responsible for establishing and maintaining an internal control structure. 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. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets 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 accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A material weakness is a reportable 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

Based on the testwork we performed and the documents we examined, we are not aware of any material weaknesses in the Company's operations.

*Regalia & Associates*



**NORTH COAST  
SECURITIES  
CORPORATION**

**Financial Statements**

*Years Ended*  
September 30, 2006 & 2005