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

SEC FILE NUMBER
8- 3741

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 01/01/06 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Securities Network Corp

OFFICIAL USE ONLY
FIRM I.D. NO.

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

8199 Robin Hill Road

(No. and Street)

Newburgh

(City)

IN

(State)

47629-0250

(Zip Code)

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

Cleo W. Holder

812-858-6555

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

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

John Friend and Company, P.C.

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

2916 E. Morgan Avenue

(Address)

Evansville

(City)

Indiana

(State)

47711

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
*B*  
**APR 03 2007**  
**THOMSON FINANCIAL**

<b>FOR OFFICIAL USE ONLY</b>

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

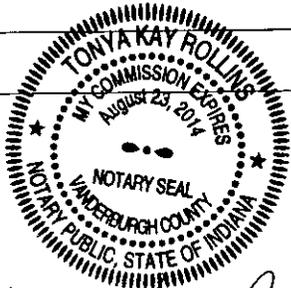
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## OATH OR AFFIRMATION

I, Cleo W. Holder, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Securities Network Corporation, as of December 31, 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:



Tonya Kay Rollins  
Notary Public

President

Signature

Cleo W. Holder, CFP

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 15c3-1 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).

**FIRST SECURITIES NETWORK CORPORATION**

**FINANCIAL STATEMENTS**

**For the Years Ended  
December 31, 2006 and 2005**

FIRST SECURITIES NETWORK CORPORATION

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**JOHN FRIEND & COMPANY, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

2916 EAST MORGAN AVENUE • EVANSVILLE, INDIANA 47711 • (812) 473-3388

Board of Directors  
First Securities Network Corporation  
8199 Robin Hill Road  
Newburgh, IN 47629-0250

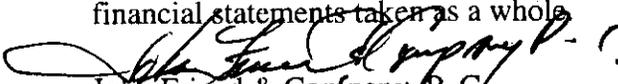
Independent Auditor's Report

We have audited the balance sheets of First Securities Network Corporation as of December 31, 2006 and 2005, and the related statements of operations, changes in stockholder equity, changes in liabilities subordinated to claims of general creditors, 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 the Corporation'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 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 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 First Securities Network Corporation as of December 31, 2006 and 2005, and the result 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 audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses on page 15 and the information on pages 18 through 20 is presented for the purpose 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.

  
John Friend & Company, P. C.  
Certified Public Accountants  
Evansville, IN

February 13, 2007

**FIRST SECURITIES NETWORK CORPORATION**

**BALANCE SHEETS**

	December 31,	
<b><u>LIABILITIES</u></b>	<b>2006</b>	<b>2005</b>
<b>CURRENT:</b>		
Accounts payable	\$ 4,582	\$ -0-
Accrued expenses	31,013	21,815
Accounts payable – affiliate	7,901	7,137
Accounts payable officer	35	35
<b>TOTAL CURRENT LIABILITIES</b>	<b>43,531</b>	<b>28,987</b>
 <b>STOCKHOLDERS' EQUITY</b>		
Common Stock - No Par Value, 1000 shares authorized, 876 shares issued and outstanding	12,248	12,248
Paid In Capital	364,975	287,087
Other Comprehensive Income	52,740	45,520
Retained (Deficit)	( <u>270,585</u> )	( <u>217,622</u> )
	159,378	127,233
	<b>202,909</b>	<b>156,220</b>

*See accompanying auditors' report, summary of accounting policies and notes to financial statements.*

**FIRST SECURITIES NETWORK CORPORATION**

**STATEMENTS OF OPERATIONS**

	<u>2006</u>		<b>Year Ended December 31,</b>	<u>2005</u>	
Revenue	\$ 947,600	100.00 %	\$	759,430	100.00 %
Operating Expenses	<u>996,063</u>	<u>105.11</u>		<u>802,925</u>	<u>105.73</u>
Operating Loss	( 48,463 )	( 5.11 )	(	43,495 )	( 5.73 )
Other Income (Expenses)	<u>-0-</u>	<u>0.00</u>	(	<u>6,170</u> )	( <u>0.81</u> )
Loss Before Taxes on Income	( 48,463 )	( 5.11 )	(	49,665 )	( 6.54 )
Taxes	<u>-0-</u>	<u>0.00</u>		<u>-0-</u>	<u>0.00</u>
Net Loss	( <u>48,463</u> )	( <u>5.11</u> )	(	<u>49,665</u> )	( <u>6.54</u> )
 Loss Per Share of Common Stock				( <u>56.70</u> )	
				( <u>55.32</u> )	

*See accompanying auditor's report, summary of accounting policies and notes to financial statements.*

**FIRST SECURITIES NETWORK CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**Year Ended  
December 31,  
2006**

	<b>Capital Stock</b>	<b>Paid In Capital</b>	<b>Accum. Other Comp. Income</b>	<b>Retained Earnings</b>
Balances at beginning of year	\$ 12,248	\$ 287,087	\$ 45,520	\$ ( 217,622 )
Additional paid in capital	-0-	77,888	-0-	-0-
Other comprehensive income	-0-	-0-	7,220	-0-
Net (loss) for year	-0-	-0-	-0-	( 48,463 )
Distributions	-0-	-0-	-0-	( 4,500 )
Balances at end of year	<u>12,248</u>	<u>364,975</u>	<u>52,740</u>	<u>( 270,585 )</u>

**Year Ended  
December 31,  
2005**

	<b>Capital Stock</b>	<b>Paid In Capital</b>	<b>Accum. Other Comp. Income</b>	<b>Retained Earnings</b>
Balances at beginning of year	\$ 12,248	\$ 266,143	\$ -0-	\$ ( 167,957 )
Additional paid in capital	-0-	20,944	-0-	-0-
Other comprehensive income	-0-	-0-	45,520	-0-
Net (loss) for year	-0-	-0-	-0-	( 49,665 )
Distributions	-0-	-0-	-0-	-0-
Balances at end of year	<u>12,248</u>	<u>287,087</u>	<u>45,520</u>	<u>( 217,622 )</u>

*See accompanying auditors' report, summary of accounting policies and notes to financial statements.*

**FIRST SECURITIES NETWORK CORPORATION**

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

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
SUBORDINATED LIABILITIES	\$ -0-	\$ -0-
Increase	-0-	-0-
Decrease	<u>-0-</u>	<u>-0-</u>
 SUBORDINATED LIABILITIES	 <u>-0-</u>	 <u>-0-</u>

See accompanying auditors' report, summary of accounting policies and notes to financial statements.

**FIRST SECURITIES NETWORK CORPORATION**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ ( 48,463 )	\$ ( 49,665 )
Adjustments to reconcile net (loss) to cash provided by operating activities:		
Depreciation	14,342	16,449
(Gain) Loss on expiration of warrants	-0-	5,025
Change in assets & liabilities		
(Increase) decrease in commissions receivable	( 20,523 )	( 10,062 )
Increase (decrease) in accrued expenses	9,198	13,849
Increase (decrease) in accounts payable affiliate	764	6,688
Increase (decrease) in accounts payable	4,582	-0-
(Gain) Loss on sale of property	<u>-0-</u>	<u>716</u>
Net cash provided by (used in) operating activities	( <u>40,100</u> )	( <u>17,000</u> )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of equipment	-0-	-0-
Purchases of equipment	( 13,013 )	( 9,057 )
Purchase of investment-stocks	( <u>24,000</u> )	<u>-0-</u>
Net cash provided by (used in) investing activities	( <u>37,013</u> )	( <u>9,057</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Accounts payable – officer	-0-	35
Additional paid in capital	77,888	20,944
Distributions	( <u>4,500</u> )	<u>-0-</u>
Net cash provided by (used in) financing activities	<u>73,388</u>	<u>20,979</u>
Net increase (decrease) in cash	( 3,725 )	( 5,078 )
Cash at beginning of year	<u>10,379</u>	<u>15,457</u>
Cash at end of year	<u>6,654</u>	<u>10,379</u>

*See accompanying auditor's report, summary of accounting policies and notes to financial statements.*

# **FIRST SECURITIES NETWORK CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

### **SUMMARY OF ACCOUNTING POLICIES**

First Securities Network Corporation is a closely held corporation located in Newburgh, Indiana. They are a broker/ dealer licensed by NASD.

Customer security transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis.

Any marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by the Board of Directors. Any resulting difference between cost and market would be included in other comprehensive income as unrealized gains or losses.

Depreciation is figured on a straight-line basis using estimated lives of seven years for all office furniture and equipment, except computers, which have an estimated life of five years.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **NOTE A - FUNDS OR SECURITIES HELD**

The Corporation does not hold any customer funds or securities. The Corporation utilizes clearing brokers and payments are paid directly to the clearing broker, the mutual fund, or to the limited partnerships.

### **NOTE B - S CORPORATION - INCOME TAX STATUS**

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

*See accompanying auditors' report.*

# FIRST SECURITIES NETWORK CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE C - RELATED PARTY TRANSACTIONS

The principals of the Corporation are shareholders in First Financial Resources Corporation and Charter Tax Service Corporation. All three Corporations operate out of the same location, which is leased on a month-to-month basis payable from a major shareholder. First Securities Network Corporation pays the full rent amounting to \$2,700.00 per month. The other two Corporations then reimburse First Securities Network Corporation for their share of the rent. First Securities Network Corporation's share of the monthly rent is \$2,376.00. The total rent paid by First Securities Network Corporation in 2006 and 2005 was \$28,512 and \$29,500 respectively.

As the three Corporations also share common expenses, First Financial Resources Corporation and Charter Tax Service Corporation reimburse First Securities Network Corporation for these expenses.

In April 1991, First Securities Network Corporation became the common paymaster for all of the corporations in which the principals are shareholders.

At December 31, 2006, First Securities Network Corporation was owed \$23,699 by Charter Tax Service Corporation for common paymaster expenses and \$1,781 for common area expenses while First Securities Network Corporation owed \$26,245 to First Financial Resources Corporation for common area expenses. At December 31, 2005, First Securities Network Corporation was owed \$3,387 by Charter Tax Service Corporation and owed \$10,519 to First Financial Resources Corporation.

### NOTE D - STATEMENTS OF CASH FLOWS

The corporation considers cash and cash equivalents to be cash in bank. In 2005, the Corporation had the opportunity to exercise 300 stock warrants they had purchased of NASDAQ Stock Market, Inc. They did not exercise this option and the warrants expired. The cost of the warrants was \$5,025.

Cash paid during the years for:

	2006	2005
Interest	\$ -0-	\$ 431
Income Taxes	-0-	-0-

*See accompanying auditors' report*

# FIRST SECURITIES NETWORK CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE E - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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. At December 31, 2006 and 2005 the Company had net capital of \$95,139 and \$70,827 which were \$90,139 and \$65,827 in excess of its required net capital of \$5,000, respectively. The Company's net capital ratio for 2006 and 2005 was 0.46:1 and 0.41:1, respectively.

### NOTE F - PROFIT SHARING PLAN

In 1998, the Company established a trustee, contributory profit sharing plan covering substantially all employees. The Company may contribute amounts not in excess of the maximum deduction allowable for income tax purposes. The Company made contributions totaling \$-0- and \$-0-, during the years ended December 31, 2006 and 2005 respectively.

### NOTE G - PROPERTY AND EQUIPMENT

The major classifications of property and equipment at December 31, 2006 and 2005 consisted of the following:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Furniture and Fixtures	\$ 78,028	\$ 48,810	\$ 65,529	\$ 35,146
Leasehold Improvements	<u>6,512</u>	<u>1,221</u>	<u>6,512</u>	<u>1,057</u>
	<u>84,540</u>	<u>50,031</u>	<u>72,041</u>	<u>36,203</u>

Depreciation charged to expense for financial statement purposes for the years ended December 31, 2006 and 2005 was \$14,342 and \$16,449 respectively, which was computed on straight line and accelerated methods.

*See accompanying auditor's report*

**FIRST SECURITIES NETWORK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE H - INVESTMENTS**

As of December 31, 2006 and 2005, First Securities Network Corporation held 3,500 and 2,000 shares respectively of common stock in The NASDAQ Stock Market, Inc. It is listed on the NASDAQ Stock exchange at December 31, 2006 and 2005 with a fair market value of \$30.79 and \$35.76 per share respectively with the unrealized gains reported as other comprehensive income in the amount of \$52,740 and \$45,520, respectively.

	Purchase Date	Purchase Price	2006 <u>FMV</u>	2005 <u>FMV</u>	2006 Other <u>Comp Inc</u>	2005 Other <u>Comp Inc</u>
Common Stock	12/08/00	\$ 26,000	\$ 61,580	\$ 71,520	\$ 35,580	\$ 45,520
Common Stock	06/12/06	29,025	46,185	-0-	17,160	-0-
Total		<u>55,025</u>	<u>107,765</u>	<u>71,520</u>	<u>52,740</u>	<u>45,520</u>

First Securities Network Corporation also owns a total of -0- and 375 stock warrants of The NASDAQ Stock Market, Inc. as of December 31, 2006 and 2005, respectively. These warrants are restricted and not available for sale. The warrants may be exchanged for common stock of The NASDAQ Stock Market, Inc. on the following schedule:

<u># of shares</u>	<u>Redemption Date</u>	<u>Void Date</u>	<u>Exchange Cost per Share</u>	<u>Total Cost</u>
<u>1,500</u>	06/28/05	06/27/06	16.00	<u>24,000</u>
<u>1,500</u>				<u>24,000</u>

The -0- and 375 warrants have a cost of \$0.00 and \$5,025, respectively which is the current value. As these are neither available for sale nor listed on an exchange, their market value is not readily determinable.

*See accompanying auditors' report*

**FIRST SECURITIES NETWORK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE I - ADVERTISING**

The company expenses the production cost of advertising the first time the advertising takes place. At December 31, 2006 and 2005, the advertising expense was \$17,990 and \$28,638, respectively.

**NOTE J - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the corporation to concentration of credit risk consist principally of trade accounts receivable. The corporation trade accounts receivable are from various investment funds that pay the corporation commission on the investments they place with the funds. The concentration of credit risk arises from all of the accounts receivable being in the financial markets. Also, all of the customers whose funds the corporation is investing are from the Tri-State area of Indiana, Kentucky, and Illinois. As of December 31, 2006 and 2005, the receivables due from these customers were \$53,981 and \$33,458, respectively.

*See accompanying auditors' report.*

\*\*\*\*\*SUPPLEMENTAL INFORMATION\*\*\*\*\*

**FIRST SECURITIES NETWORK CORPORATION**

**SCHEDULES OF OPERATING EXPENSES**

	<b>Year Ended December 31,</b>			
	<b>2006</b>		<b>2005</b>	
	2006	%	2005	%
Advertising	\$ 17,990	1.90	\$ 28,638	3.77
Bank Charges	112	0.01	399	0.05
Broker - dealer fees	9,746	1.03	2,906	0.38
Client Relations	-0-	0.00	136	0.02
Contract Labor	-0-	0.00	70	0.01
Depreciation & amort.	14,342	1.51	16,449	2.17
Donations	50	0.01	100	0.01
Dues & subscriptions	2,466	0.26	89	0.01
Federal unemployment tax	480	0.05	463	0.06
FICA tax expense	36,212	3.82	32,826	4.32
Gifts	-0-	0.00	-0-	0.00
Insurance	27,319	2.88	22,474	2.96
Libraries	7,208	0.76	300	0.04
License & fees	645	0.07	433	0.06
Miscellaneous	-0-	0.00	6,549	0.86
Office supplies	22,123	2.33	20,766	2.73
Postage	24,760	2.61	17,013	2.24
Professional development	2,799	0.30	2,664	0.35
Professional fees	76,589	8.08	7,100	0.94
Property tax	555	0.06	369	0.05
Rent expense	28,512	3.01	29,500	3.89
Repairs and maintenance	6,777	0.72	2,937	0.39
Salaries - officers	543,365	57.34	443,820	58.44
Salaries - other	161,091	17.00	155,396	20.46
State unemployment tax	899	0.09	1,101	0.15
Telephone	8,859	0.94	8,740	1.15
Travel & entertainment	3,164	0.33	1,686	0.22
<b>Total Operating Expenses</b>	<b>996,063</b>	<b>105.11</b>	<b>802,924</b>	<b>105.73</b>

*See accompanying auditor's report.*

**FIRST SECURITIES NETWORK CORPORATION**

**SCHEDULES OF OTHER INCOME (EXPENSES)**

	<b>Year Ended December 31,</b>			
	<u>2006</u>		<u>2005</u>	
Miscellaneous income	\$ -0-	0.00 %	\$ -0-	0.00 %
Interest Expense	-0-	0.00	( 431 )	( 0.06 )
Gain (Loss) on sale of property	-0-	0.00	( 714 )	( 0.09 )
Gain (Loss) on Expiration of Stock Warrants	<u>-0-</u>	<u>0.00</u>	<u>( 5,025 )</u>	<u>( 0.66 )</u>
Total Other Income (Expenses)	<u>-0-</u>	<u>0.00</u>	<u>( 6,170 )</u>	<u>( 0.81 )</u>

*See accompanying auditor's report*

SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934

**FIRST SECURITIES NETWORK CORPORATION**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION**

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
<u>Reconciliation with company's computation</u>		
Net capital as reported per "FOCUS" report as of December 31	\$ 110,774	\$ 50,102
Accounts receivable adjustment	( 2,382 )	( 3,319 )
Other comprehensive income	-0-	45,520
Accounts payable – affiliate adjustment	( 765 )	( 7,137 )
Accounts payable – officer	-0-	( 35 )
Haircuts	-0- )	( 14,304 )
Accrued expenses	( 5 )	-0-
Accounts payable - trade	( <u>4,582</u> )	<u>-0-</u>
 Net Capital Per Above	 <u>103,040</u>	 <u>70,827</u>

**FIRST SECURITIES NETWORK CORPORATION**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**UNDER RULE 15c3-3 OF THE SECURITIES EXCHANGE COMMISSION**

As of December 31, 2006 and 2005 the Corporation was under the exemption provision of SEC Rule 15c3-3 and was in compliance with such conditions as mandated.

**JOHN FRIEND & COMPANY, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

---

2916 EAST MORGAN AVENUE • EVANSVILLE, INDIANA 47711 • (812) 473-3388

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

Board of Directors  
First Securities Network Corporation  
8199 Robin Hill Road  
Newburgh, IN 47629-0250

In planning and performing our audit of the financial statements and supplemental schedules of First Securities Network Corporation for the years ended December 31, 2006 and 2005 we considered its internal control structure, including procedures 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 (including tests of compliance with such practices and procedures) followed by First Securities Network Corporation that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debts) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. 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
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

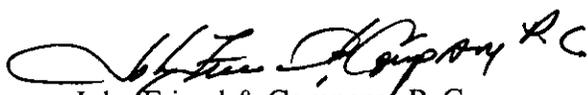
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of 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 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 the 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, 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 errors 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 no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

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 Company's practices and procedures were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities Exchange Commission, the New York Stock Exchange, the National Association of Securities Dealers, Inc. and other regulatory agencies which 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.



John Friend & Company, P. C.  
Certified Public Accountants  
Evansville, IN

February 13, 2006

*END*