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

SEC FILE NUMBER
6-56391

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 07/01/06 AND ENDING 06/30/07
MM/DD'YY MM/DD'YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: James Fox Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

118 S. PACIFIC ST. #31

OCEANSIDE

(No. and Street)

92054

California

(City)

(State)

(Zip Code)

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

James Fox

760/908-6716

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Darilek, Butler & Associates, PLLC

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

2702 N. Loop 1604 E., Suite 202

San Antonio

Texas

78232

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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THOMSON FINANCIAL

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

OATH OR AFFIRMATION

I, James Fox, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of James Fox Securities, Inc.

of June 30, 2007, 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:

[Handwritten Signature]  
Signature

PRESIDENT  
Title

Lindsay King  
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 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.
- (o) Independent Auditors' Report on Internal Control Required by SEC.

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

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2702 N. Loop 1604 East, Suite 202  
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Phone (210) 979-0055  
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## INDEPENDENT AUDITORS' REPORT

**The Board of Directors  
James Fox Securities, Inc.  
Carlsbad, California**

We have audited the accompanying statement of financial condition of James Fox Securities, Inc. (the Company), as of June 30, 2007, and the related statements of income, changes in stockholder's equity, and cash flows for the year 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 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 James Fox Securities, Inc. as of June 30, 2007, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



San Antonio, Texas  
August 24, 2007

JAMES FOX SECURITIES, INC.

Statement of Financial Condition  
June 30, 2007

ASSETS

Current Assets:

Cash	\$	26,124
Accounts Receivable - Commissions		2,359
Prepaid Expenses		961
Total Current Assets		<u>29,444</u>

Office Equipment Net of \$5,278 in Accumulated Depreciation 4,337

Total Assets \$ 33,781

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:

Accounts Payable - Trade	\$	6,003
Taxes Payable		50
Total Current Liabilities		<u>6,053</u>

Long-Term Liabilities:

Deferred Tax Liability		<u>441</u>
Total Liabilities		<u>6,494</u>

Stockholder's Equity:

Common Stock, \$0.01 Par Value, 100,000 Shares Authorized, 100,000 Issued and 50,000 Outstanding		1,000
Additional Paid In Capital		34,000
Retained Earnings		<u>12,287</u>
Total Stockholder's Equity		47,287
Less 50,000 Shares Treasury Stock at Cost		<u>(20,000)</u>
		<u>27,287</u>
Total Liabilities and Stockholder's Equity	\$	<u><u>33,781</u></u>

JAMES FOX SECURITIES, INC.

Statement of Income  
Year Ended June 30, 2007

Revenues		
Commission Income	\$	65,458
Interest Income		9,321
		<u>74,779</u>
Expenses		
Auto		694
Business Promotion		74
Commissions		20,546
Contract Labor		22,000
Depreciation		1,603
Dues & Subscriptions		466
Penalties		50
Insurance		369
Interest		348
Licenses and Examination Fees		2,015
Office		7,492
Postage and Shipping		185
Professional Fees		6,231
Rent		2,093
Stock Exchange Fees		1,398
Telephone		4,534
Travel and Entertainment		4,997
		<u>75,095</u>
Income before Provision for Income Taxes		<u>(316)</u>
Provision for Income Taxes		
Current		850
Deferred		130
Total Income Tax Provision		<u>980</u>
Net Income	\$	<u><u>(1,296)</u></u>

JAMES FOX SECURITIES, INC.

Statement of Changes in Stockholder's Equity  
Year Ended June 30, 2007

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance - June 30, 2006	\$ 1,000	\$ 34,000	\$ 13,583	\$ (20,000)	\$ 28,583
Net Income	<u>0</u>	<u>0</u>	<u>(1,296)</u>	<u>0</u>	<u>(1,296)</u>
Balance - June 30, 2007	<u>\$ 1,000</u>	<u>\$ 34,000</u>	<u>\$ 12,287</u>	<u>\$ (20,000)</u>	<u>\$ 27,287</u>

The Accompanying Notes are an Integral Part of The Financial Statements

JAMES FOX SECURITIES, INC.

Statement of Cash Flows  
Year Ended June 30, 2007

**Cash Flows From Operating Activities:**

Net Income (Loss)	\$	(1,296)
Adjustments to Reconcile Net Income to Cash Provided (Used) by Operating Activities:		
Depreciation		1,603
(Increase) Decrease in:		
Accounts Receivable - Commissions		2,529
Prepaid Expenses		549
Increase (Decrease) in:		
Accounts Payable		3,313
Taxes Payable - Current		(1,666)
Deferred Tax Liability		130
Net Cash Provided (Used) by Operating Activities		<u>5,162</u>

**Cash Flows From Investing Activities:**

Purchase of Fixed Assets		<u>(3,865)</u>
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Net Increase (Decrease) in Cash 1,297

Cash Balance - June 30, 2006 24,827

Cash Balance - June 30, 2007 \$ 26,124

**Supplemental Disclosures For Statement of Cash Flows:**

Cash Paid During the Year for Interest \$ 348

Cash Paid During the Year for Income Taxes \$ 850

JAMES FOX SECURITIES, INC.

Notes to the Financial Statements  
June 30, 2007

Note A - Organization and Summary of Significant Accounting Policies

**Nature of Business**

James Fox Securities, Inc. (the Company) is a registered broker/dealer incorporated under the laws of Arizona, maintaining an office in Carlsbad, California.

The Company's transactions with customers consist exclusively of acting as an introducing broker-dealer to a clearing broker-dealer on a fully disclosed basis. The Company transmits all customer funds and securities to the clearing broker-dealer, who, in turn, carries all the accounts of such customers.

Securities transactions and related commission revenues and expenses are recorded on a settlement date basis, generally the third purchase day following the transaction date. The accompanying financial statements would not be materially different if prepared on a trade date basis.

The following is a summary of significant accounting policies of the Company. These accounting policies conform to generally accepted accounting principles (GAAP) and were utilized in preparing the accompanying financial statements.

**Fixed Assets**

Fixed assets are recorded at cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the Modified Accelerated Cost Recovery System (MACRS) method of depreciation prescribed by the Internal Revenue Service for both financial and income tax reporting purposes; this method, which prescribes useful lives for the assets, does not materially differ from GAAP.

**Income Taxes**

Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets or liabilities.

JAMES FOX SECURITIES, INC.

Notes to the Financial Statements  
June 30, 2007

Note A - Organization and Summary of Significant Accounting Policies (Continued)

**Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash represents cash on hand, cash in clearing deposit accounts, and cash in bank depository accounts.

Note B - Federal Income Taxes

Total income tax expense for the year ending June 30, 2007 attributable to operations consists of:

Current:	
State	\$ 850
Total current	<u>\$ 850</u>
Deferred:	
Federal	\$ 130
Total deferred	<u>\$ 130</u>
Total income tax expense	<u>\$ 980</u>

The Company's effective tax rate differs from the expected federal income tax rate as follows:

Federal tax expense at statutory rate	\$ (175)
Permanent Differences	304
Temporary Differences	(129)
State income taxes	<u>850</u>
Net Current Tax Expense	<u>\$ 850</u>

JAMES FOX SECURITIES, INC.

Notes to the Financial Statements  
June 30, 2007

Note B - Federal Income Taxes (continued)

The Company's deferred tax expense is composed of the following:

Change in tax effect of:

Temporary Depreciation Differences	<u>\$ 130</u>
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The components of the deferred tax liability are as follows:

Temporary Differences – Depreciation	<u>\$ 441</u>
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Note C - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c 3-1), which requires the maintenance of minimum net capital of the greater of 6 2/3% of aggregate indebtedness or \$5,000. As of June 30, 2006, the Company had net capital of \$21,354, which was \$16,354 in excess of its required net capital of \$5,000. The Company's net capital ratio was .28 to 1.

Note D - Bank Line of Credit

The Company has a cash reserve line of credit with the Union Bank of California, which has a credit line of \$1,000 and annual interest rate of 16.8%. The line of credit balance was \$0 at June 30, 2007.

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**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION  
REQUIRED BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

**The Board of Directors  
James Fox Securities, Inc.  
Carlsbad, California**

We have audited the accompanying financial statements of James Fox Securities, Inc. for the year ended June 30, 2007, and have issued our report thereon dated August 24, 2007. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Antonio, Texas  
August 24, 2007

*Steven H. Butler*

JAMES FOX SECURITIES, INC.

Schedule I – Computation of Net Capital Under Rule 15c3-1  
Of the Securities and Exchange Commission  
June 30, 2007

Net Capital and Computation of Basic Net Capital Requirements

Total Stockholders' Equity	\$ 27,287
Add: Other Deductions or Allowable Credits – Deferred Income Tax Liability	441
Less: Nonallowable Assets	<u>6,374</u>
Net Capital	21,354
Less: Net Assets not Allowable for Net Capital (Greater of 6 2/3% of Aggregate Indebtedness or \$5,000)	<u>5,000</u>
Excess Net Capital	<u>\$ 16,354</u>

Aggregate Indebtedness

Items Included in the Statement of Financial Condition:

Accounts Payable	\$ 6,003
Taxes Payable – Current	<u>50</u>
Total Aggregate Indebtedness	<u>\$ 6,053</u>

**Ratio: Aggregate Indebtedness to Net Capital** .28 to 1

JAMES FOX SECURITIES, INC.

Schedule II - Other Reporting Requirements  
June 30, 2007

**Computation for Determination of Reserve Requirements and the Disclosure of Information Related to the Possession or Control Requirements Under Rule 15c3-3.**

The computation for determination of reserve requirements and the information related to the possession or control requirements under rule 15c3-3 are not applicable. The Company primarily deals in direct participation programs, mutual funds, and general securities. Since the Company does not hold customer securities or have customer accounts, all customer transactions are cleared through another broker dealer on a fully disclosed basis and therefore qualifies for exemption under rule 15c3-3 (k)(2)(ii).

**Reconciliation of the Computation of Net Capital Under Rule 15c3-1.**

Net Capital, as Reported in Part II (Unaudited) FOCUS Report	\$	21,428
Difference - Other		(74)
Net Capital per Schedule I	\$	<u>21,354</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SECURITIES AND EXCHANGE COMMISSION RULE 17A-5**

**The Board of Directors  
James Fox Securities, Inc.  
Carlsbad, California**

In planning and performing our audit of the financial statements of James Fox Securities, Inc. (the Company) for the year ended June 30, 2007, 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.

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 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 and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer 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 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.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SECURITIES AND EXCHANGE COMMISSION RULE 17A-5  
(CONTINUED)**

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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 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 June 30, 2007, to meet the SEC's objectives.

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

San Antonio, Texas  
August 24, 2007



*END*