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

SEC FILE NUMBER  
8-046164  
33429

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 January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

InterSecurities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

570 Carillon Parkway

(No. and Street)

St. Petersburg, Florida 33716

(City)

(State)

(Zip Code)

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

William G. Cummings

(727) 299-1800 x2734

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Ernst & Young LLP

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

801 Grand Avenue, Suite 3000, Des Moines, Iowa 50309

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

PROCESSED

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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).

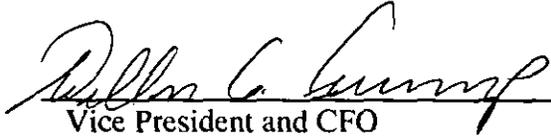
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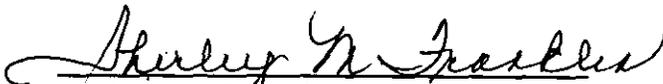
## Oath or Affirmation

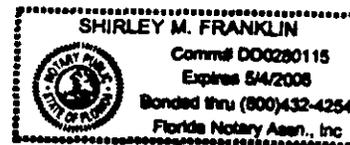
I, **William G. Cummings**, affirm that to the best of my knowledge and belief, the accompanying financial statements and supplemental information pertaining to the firm of **InterSecurities, Inc.** as of December 31, 2007, are true and correct. I further affirm that neither the Company nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer.

  
Vice President and CFO

COUNTY OF PINELLAS:  
STATE OF FLORIDA:

Sworn to and subscribed before me this 22nd day of February 2008, by **William G. Cummings**, who is personally known to me.

  
Shirley M. Franklin  
Notary Public



This report contains:

- (a) Facing page
- (b) Statement of Financial Condition
- (c) Statement of Operations
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholder's Equity
- (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 (*Under Separate Cover*)
- (n) Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

InterSecurities, Inc.

Financial Statements and Supplemental Information

Year Ended December 31, 2007 and 2006

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder  
InterSecurities, Inc.

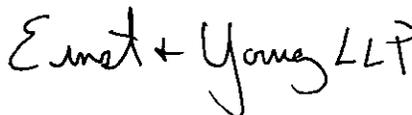
We have audited the accompanying statement of financial condition of InterSecurities, Inc. (the Company) as of December 31, 2007 and 2006, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 InterSecurities, Inc. at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are 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 our audits 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.

February 14, 2008



InterSecurities, Inc.

Statements of Financial Condition

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 16,354,329	\$ 9,854,284
Investments in securities, at market value (cost: 2007 – \$29,271,148 and 2006 – \$25,780,535)	38,818,471	32,628,778
Agent notes receivable, net of allowance	713,699	943,607
Receivables:		
Commissions	3,782,093	3,560,620
Others	2,447,987	4,020,511
Receivable from affiliate under tax allocation agreement	17,920	–
Receivable from affiliate	–	271,449
Deferred income tax assets	14,667,613	10,575,565
Prepaid expenses and other assets	704,885	793,334
<b>Total assets</b>	<b>\$ 77,506,997</b>	<b>\$ 62,648,148</b>
<b>Liabilities and stockholder's equity</b>		
Liabilities:		
Accrued commissions	\$ 2,278,263	\$ 2,070,083
Accounts payable and other accrued expenses	14,074,312	6,298,319
Due to affiliates	585,599	–
Payable to affiliate under tax allocation agreement	–	26,551
Deferred compensation	31,474,636	27,461,110
<b>Total liabilities</b>	<b>48,412,810</b>	<b>35,856,063</b>
Stockholder's equity:		
Common stock, par value \$1.00 a share – authorized, issued, and outstanding 1,000 shares	1,000	1,000
Additional paid-in capital	31,179,851	22,179,851
Retained earnings (deficit)	(2,086,664)	4,611,234
<b>Total stockholder's equity</b>	<b>29,094,187</b>	<b>26,792,085</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 77,506,997</b>	<b>\$ 62,648,148</b>

*See accompanying notes.*

InterSecurities, Inc.  
Statements of Operations

	<b>Year Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Revenues:		
Sales commissions	\$146,525,807	\$ 133,506,578
Net investment income	2,305,294	2,917,035
Other income	5,067,080	2,940,710
Total revenues	153,898,181	139,364,323
Expenses:		
Commissions	133,319,042	123,166,597
Employee compensation and related benefit expenses	9,362,258	8,535,981
Other operating expenses	22,367,503	11,363,440
Total expenses	165,048,803	143,066,018
Loss before income taxes	(11,150,622)	(3,701,695)
Income tax expense (benefit):		
Current	(360,676)	126,834
Deferred	(4,092,048)	(1,404,741)
	(4,452,724)	(1,277,907)
Net loss	\$ (6,697,898)	\$ (2,423,788)

*See accompanying notes.*

InterSecurities, Inc.

Statements of Changes in Stockholder's Equity

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings (Deficit)</b>	<b>Total Stockholder's Equity</b>
Balance at January 1, 2006	\$ 1,000	\$ 14,243,024	\$ 7,035,022	\$ 21,279,046
Capital contribution received from parent	-	7,936,827	-	7,936,827
Net loss	-	-	(2,423,788)	(2,423,788)
Balance at December 31, 2006	1,000	22,179,851	4,611,234	26,792,085
Capital contribution received from parent	-	9,000,000	-	9,000,000
Net loss	-	-	(6,697,898)	(6,697,898)
Balance at December 31, 2007	<u>\$ 1,000</u>	<u>\$ 31,179,851</u>	<u>\$ (2,086,664)</u>	<u>\$ 29,094,187</u>

*See accompanying notes.*

InterSecurities, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2007	2006
<b>Operating activities</b>		
Net loss	\$ (6,697,898)	\$ (2,423,788)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Change in unrealized appreciation/depreciation on investments	(2,699,080)	(3,130,378)
Deferred income tax benefit	(4,092,048)	(148,692)
Changes in operating assets and liabilities:		
Agent notes receivable	229,908	(943,608)
Receivables	1,351,051	(2,327,756)
Due to/from affiliates	857,048	(79,740)
Prepaid expenses and other assets	88,449	434,071
Accrued commissions	208,180	253,836
Accounts payable and other accrued expenses	7,775,993	(3,091,013)
Receivable/payable from affiliates under tax allocation agreement	(44,471)	162,324
Deferred compensation	4,013,526	4,774,567
Net cash provided by (used in) operating activities	990,658	(6,520,177)
<b>Investing activities</b>		
Cost of investments purchased	(3,490,613)	(6,811,857)
Net cash used in investing activities	(3,490,613)	(6,811,857)
<b>Financing activities</b>		
Capital contribution received from parent	9,000,000	7,936,827
Net cash provided by financing activities	9,000,000	7,936,827
Increase (decrease) in cash and cash equivalents	6,500,045	(5,395,207)
Cash and cash equivalents at beginning of year	9,854,284	15,249,491
Cash and cash equivalents at end of year	\$ 16,354,329	\$ 9,854,284

See accompanying notes.

# InterSecurities, Inc.

## Notes to Financial Statements

December 31, 2007

### 1. Summary of Significant Accounting Policies

InterSecurities, Inc. (the Company) is a wholly owned subsidiary of AUSA Holding Company (AUSA), which in turn, is a wholly owned indirect subsidiary of AEGON N.V., a holding company organized under the laws of The Netherlands. The Company is registered under the Securities Exchange Act of 1934 as a broker-dealer. The Company sells investment products through its licensed representatives including life insurance and deferred annuities offered by Western Reserve Life Assurance Company of Ohio (WRL), an affiliated company.

#### Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of 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 reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Investments

The Company's investments consist primarily of Transamerica IDEX funds, an affiliated company, which is reported at fair value. Fair values of the funds are determined by reference to published net asset value per share. Changes in the fair value are recorded as adjustments to income.

#### Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities, using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period.

InterSecurities, Inc.

Notes to Financial Statements (continued)

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

**Fair Values of Financial Instruments**

The Company's assets and liabilities include various items that meet the definition of financial instruments and require disclosure of their related fair values. Due to the nature of the Company's financial instruments, management does not believe the fair values of such assets and liabilities differ materially from their carrying values included herein.

**Reclassification**

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation.

**2. Income Taxes**

The Company files consolidated federal and state income tax returns with certain affiliates. Under the terms of a tax-sharing agreement, each member of the group has agreed to pay its proportionate share of income taxes calculated on a separate return basis, except that tax credits and net operating loss carryforwards are determined on the basis of the consolidated group. The Company (received)/paid \$(316,205) and \$1,692,053 to affiliates under the tax-sharing agreement during 2007 and 2006, respectively. Deferred income taxes have been established by each member of the consolidated group based upon temporary differences within each entity.

The provision for income taxes consists of the following for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Federal	\$ (3,905,056)	\$ (823,877)
State	(547,668)	(454,030)
	<u>\$ (4,452,724)</u>	<u>\$ (1,277,907)</u>

InterSecurities, Inc.

Notes to Financial Statements (continued)

**2. Income Taxes (continued)**

Deferred income taxes arise primarily from differing methods used to account for the unrealized appreciation/depreciation on investments, accrued vacation, and other accrued expenses not deductible until future periods for tax purposes. Deferred income taxes consists of the following for the year ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Deferred tax assets	\$ 18,273,527	\$ 13,299,933
Deferred tax liabilities	(3,605,914)	(2,724,368)
Net deferred tax assets	<u>\$ 14,667,613</u>	<u>\$ 10,575,565</u>

As the Company files a consolidated return as part of a group that is profitable and is expected to be profitable in future periods, the Company's deferred tax assets at December 31, 2007 and 2006 are deemed to be recoverable. No valuation allowance has been recorded on the deferred tax assets.

The Company adopted the provisions of FASB interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48)*, on January 1, 2007. The Company has analyzed all material tax positions under the provisions of FIN 48, and has determined that there are no tax benefits that should not be recognized as of January 1, 2007, and as of December 31, 2007. There are no unrecognized tax benefits that would affect the effective tax rate. It is not anticipated that the total amount of unrecognized tax benefits will significantly increase within 12 months of the reporting date.

The Company classifies interest and penalties related to income taxes as interest expense and penalty expense, respectively. The Company has recognized no such interest and penalties in its financial statements for the years ended December 31, 2007 and 2006.

The Company files a consolidated return in the U.S. federal tax jurisdiction and various state tax jurisdictions. The IRS audits are final for tax years prior to 2001.

## InterSecurities, Inc.

### Notes to Financial Statements (continued)

#### 3. Transactions With Affiliates

The Company is a member of a group of affiliated companies which are engaged in the sale of life insurance, annuities, and other investment related activities. A substantial portion of the commission expenses of the Company is to registered representatives who are also agents for WRL, an affiliated company. A substantial portion of the Company's operating expenses is paid to WRL and represents both items specifically identifiable as attributable to the Company and an allocation of shared expenses among several affiliates of WRL, of which the Company's portion of these shared expenses was approximately \$5,136,000 and \$4,730,000 for the years ended December 31, 2007 and 2006, respectively. Sales commission revenues include approximately \$4,350,000 and \$4,680,000 earned during the years ended December 31, 2007 and 2006, respectively, from the sales of Transamerica IDEX Mutual Funds. Sales commission revenues for the years ended December 31, 2007 and 2006, include approximately \$30,181,000 and \$33,400,000, respectively, of WRL commissions on variable products.

The Company is party to a Cost Sharing Agreement between AEGON USA Inc. companies, providing general administrative services as needed. During 2007 and 2006, a significant portion of the operating expenses is attributable to such agreement, which approximates their costs to the affiliates.

#### 4. Net Capital Requirement

The Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934. This rule prohibits the Company from engaging in any securities transactions when (a) its "aggregate indebtedness" exceeds 15 times its "net capital," or (b) its "net capital" is less than a minimum as defined by the rule. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2007, the Company had net capital of \$11,656,367 which was \$10,522,115 in excess of its required net capital of \$1,134,252. The Company's ratio of aggregate indebtedness to net capital was 1.46 to 1 in 2007. Various other regulatory agencies may impose additional requirements.

## InterSecurities, Inc.

### Notes to Financial Statements (continued)

#### 4. Net Capital Requirement (continued)

Pursuant to the provisions of Rule 15c3-3 of the Securities and Exchange Commission, the Company maintains a bank account titled "Special Account for the Exclusive Benefit of Customers." This account had a balance of \$111,584 at December 31, 2007. The Company carries no margin accounts; promptly transmits all customer funds and delivers all securities received in connection with activities as a broker or dealer; does not otherwise hold funds or securities for, or owe money or securities to, customers; and effectuates all financial transactions with customers through the Special Bank Account. Therefore, it is exempt from the reserve requirements at December 31, 2007, and for the year then ended, under the provisions of Rule 15c3-3(k)(2)(1).

#### 5. Contingencies

The Company is a party to legal proceedings incidental to its business, including a class action. Although such litigation sometimes includes substantial demands for compensatory and punitive damages, it is management's opinion, after consultation with legal counsel and a review of available facts, that net damages, if any, arising from such demands will not be material to the Company's financial position.

# Supplemental Information

InterSecurities, Inc.

Computation of Net Capital Pursuant to SEC Rule 15c3-1

December 31, 2007

**Computation of net capital**

Total stockholder's equity \$ 29,094,187

Nonallowable assets and deductions:

Receivables from noncustomers

\$ 996,524

Other assets

16,253,999 17,250,523

Net capital before haircuts on securities positions

11,843,664

Haircuts on securities

187,297

Net capital

11,656,367

**Computation of alternative net capital requirement**

Net capital requirement (minimum)

1,134,252

Excess net capital

\$ 10,522,115

There were no material differences between the above computation and the Company's corresponding unaudited Part II of Form X-17A-5 as of December 31, 2007.

InterSecurities, Inc.

Statement Regarding SEC Rule 15c3-3

December 31, 2007

The Company is exempt from SEC Rule 15c3-3 under paragraph (k)(2)(i) and (k)(2)(ii) of that Rule.

## Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Board of Directors  
InterSecurities, Inc.

In planning and performing our audit of the financial statements of InterSecurities, Inc. (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. The study included tests of 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.

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 and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 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, Financial Industry Regulatory Authority, 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.

February 14, 2008

*Ernst + Young LLP*

**END**