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

| SEC FILE NUMBER |
|---|
| 8- 66808 |

## 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, 2008 (MM/DD/YY) AND ENDING December 31, 2008 (MM/DD/YY)

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Vanir Securities, Inc.

| OFFICIAL USE ONLY |
|---|
| FIRM I.D. NO. |

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

4540 Duckhorn Drive, Suite 200
(No and Street)

| Sacramento | California | 95834 |
|---|---|---|
| (City) | (State) | (Zip Code) |

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

Stephen A. Hunter (916) 419-2411
(Area Code – Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants
(Name – *if individual, state last, first, middle name*)

| 9221 Corbin Avenue, Suite 170 | Northridge | California | 91324 |
|---|---|---|---|
| (Address) | (City) | (State) | (Zip Code) |

**CHECK ONE:**

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

| 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)*

SEC 1410 (06-02)

**Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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## OATH OR AFFIRMATION

I, Stephen A. Hunter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Vanir Securities, Inc., as of December 31, 20 08, 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:

State of California
County of Placer
Subscribed and sworn (or affirmed) to before me this 26 day of February, 2009 by Stephen A. Hunter proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me

Notary Public

Signature

President
Title

LISA E. LARCABAL
COMM. #1591160
Notary Public - California
Placer County
My Comm. Expires Jun. 25, 2009
NR01

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 Cash Flows
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**BREARD & ASSOCIATES, INC.**
Certified Public Accountants

# Independent Auditor's Report

Board of Directors
Vanir Securities, Inc.:

We have audited the accompanying statement of financial condition of Vanir Securities, Inc. (the Company) as of December 31, 2008, and the related statements of operations, 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 Vanir Securities, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, II, and III 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.

Breard & Associates, Inc.

Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
February 18, 2009

*We Focus & Care*℠

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**Vanir Securities, Inc.**
**Statement of Financial Condition**
**December 31, 2008**

## Assets

| | | |
|---|---|---|
| Cash | $ | 21,303 |
| Deposit with clearing organization | | 24,576 |
| Receivable from broker dealer | | 1,790 |
| Office equipment, net | | 722 |
| Prepaid expenses | | 3,000 |
| **Total assets** | $ | 51,391 |

## Liabilities and Stockholder's Equity

| | | |
|---|---|---|
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ | 21,589 |
| **Total liabilities** | | 21,589 |
| **Stockholder's equity** | | |
| Common stock, $1 par value, 20,000 shares authorized, 20,000 issued and outstanding | | 20,000 |
| Additional paid-in capital | | 31,489 |
| Accumulated deficit | | (21,687) |
| **Total stockholder's equity** | | 29,802 |
| **Total liabilities and stockholder's equity** | $ | 51,391 |

*The accompanying notes are an integral part of these financial statements.*

# Vanir Securities, Inc.
## Statement of Operations
## For the Year Ended December 31, 2008

| | |
|---|---|
| **Revenues** | |
| Commission | $ 406,516 |
| Management fee income | 24,000 |
| Other income | 509 |
| **Total revenues** | 431,025 |
| **Expenses** | |
| Floor brokerage, exchange and clearance fees | 85,126 |
| Professional fees | 119,641 |
| Management fee expenses | 219,050 |
| Other operating expenses | 18,877 |
| **Total expenses** | 442,694 |
| **Net income (loss) before income tax provision** | (11,669) |
| **Total income tax provision** | 800 |
| **Net income (loss)** | $ (12,469) |

*The accompanying notes are an integral part of these financial statements.*

**Vanir Securities, Inc.**
**Statement of Changes in Stockholder's Equity**
**For the Year Ended December 31, 2008**

| | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|
| Balance at December 31, 2007 | $ 20,000 | $ 31,489 | $ (9,218) | $ 42,271 |
| Net income (loss) | – | – | (12,469) | (12,469) |
| Balance at December 31, 2008 | $ 20,000 | $ 31,489 | $ (21,687) | $ 29,802 |

*The accompanying notes are an integral part of these financial statements.*

**Vanir Securities, Inc.**
**Statement of Cash Flows**
**For the Year Ended December 31, 2008**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | | $ (12,469) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | $ 420 | |
| (Increase) decrease in: | | |
| Deposits with clearing organization | 224 | |
| Receivable from broker dealer | 17,304 | |
| Prepaid expenses | (217) | |
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | 13,406 | |
| Total adjustments | | 31,137 |
| **Net cash provided by (used in) operating activities** | | 18,668 |
| **Cash flows from investing activities:** | | - |
| **Cash flows from financing activities:** | | - |
| **Net increase (decrease) in cash** | | 18,668 |
| **Cash at beginning of year** | | 2,635 |
| **Cash at end of year** | | $ 21,303 |

**Supplemental disclosure of cash flow information:**

| | |
|---|---|
| Cash paid during the year for: | |
| Interest | $ – |
| Income taxes | $ 800 |

*The accompanying notes are an integral part of these financial statements.*

**Vanir Securities, Inc.**
**Notes to Financial Statements**
**December 31, 2008**

## Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*General*

Vanir Securities, Inc. (the "Company") was incorporated in the State of California on September 28, 1984. The Company is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"). The Company is an independently owned full service broker dealer.

The Company is engaged in the business as a securities broker-dealer, which comprises several classes of services, including assisting clients in investing in mutual funds and variable annuities.

The Company is a wholly–owned subsidiary of Vanir Financial Services, Inc. (the "Parent").

The Company does not hold customer funds or securities and conducts business on a fully disclosed basis, where by all transactions are cleared by another broker/dealer and, accordingly, is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii).

In the normal course of business, the Company's customer activities involve the execution and settlement of various customers securities and financial instrument transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the customer is unable to fulfill its contractual obligations.

*Summary of Significant Accounting Policies*

The presentation 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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivable from clearing organizations represent commissions earned on security transactions, which are recorded on a trade date basis. Commission receivables from clearing organizations are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Office equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized.

## Note 1: <u>GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "*Accounting for income taxes*", which requires the establishment of a deferred tax asset or liability for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

Current income taxes are provided for estimated taxes payable or refundable based on tax returns filed on the cash basis of accounting. Deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences in the basis of assets and liabilities for financial and tax reporting purposes. Measurement of current and deferred tax assets and liabilities is based on provisions of enacted federal and state tax laws.

## Note 2: <u>DEPOSIT WITH CLEARING ORGANIZATION</u>

The Company has a brokerage agreement with Wedbush Morgan Securities ("Clearing Broker") to carry its account and the accounts of its customers as customers of the Clearing Broker. The Clearing Broker has custody of the Company's cash balances which serve as collateral for any amounts due to the Clearing Broker as well as collateral for securities sold short or securities purchased on margin. Interest is paid monthly on these cash deposits at the average overnight repurchase rate. The balance at December 31, 2008, includes interest earned for a deposit total of $24,576.

## Note 3: <u>OFFICE EQUIPMENT, NET</u>

Office equipment are recorded at cost.

| | | Useful Life |
|---|---|---|
| Office equipment | $ 1,952 | 5 |
| | 1,952 | |
| Less: Accumulated Depreciation | (1,230) | |
| Office equipment, net | $ 722 | |

Deprecation expense for the year ended December 31,2008, was $420.

## Note 4: INCOME TAXES

The income tax provision consists of the California Franchise Tax Board minimum tax of $800. The Company has available at December 31, 2008, unused Federal net operating losses, which may be applied against future taxable income or carried back to offset previous taxable income, resulting in a deferred tax asset of approximately $1,870. The net operating loss begins to expire in the year 2028.

A 100% valuation allowance has been established against this benefit since management cannot determine if it is more likely than not that the asset will be realized.

## Note 5: RECEIVABLE FROM CLEARING ORGANIZATION

Pursuant to the clearing agreement, the Company introduces all of its securities transactions to clearing brokers on a fully disclosed basis. All of the customers' money balances and security positions are carried on the books of the clearing brokers. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' account. As of December 31, 2008, the receivables from clearing brokers of $1,790 are pursuant to these clearance agreements.

## Note 6: RELATED PARTY TRANSACTIONS

The Company has entered into an expense sharing agreement with the Parent during the year. The terms of this agreement stipulate that the Parent provides certain finance, accounting, legal, administrative, and payroll services for the Company. In addition, all overhead expenses incurred are paid by the Parent and reimbursed by the Company. Overhead expenses, as defined by the agreement, shall include rent, utilities, telephone and communication costs, and various other operating costs incurred in the ordinary course of business. During the year ended December 31, 2008 a total of $219,050 was reimbursed to the Parent. It was recorded as management fee expense on the statement of operations.

## Note 7: CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker/dealers, banks, and other financial institutions. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

## Note 8: RECENTLY ISSUED ACCOUNTING STANDARDS

For the year ending December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following Financial Interpretation (FIN) and Statements of Financial Accounting Standards (SFAS) for the year to determine relevance to the Company's operations:

| Statement Number | Title | Effective Date |
|---|---|---|
| FIN 48 | Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109 | After 12/15/07 |
| SFAS 141(R) | Business Combinations | After 12/15/08 |
| SFAS 157 | Fair Value Measurements | After 12/15/07 |
| SFAS 160 | Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 | After 12/15/07 |
| SFAS 161 | Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133 | After 12/15/08 |

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

## Note 9: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. Net capital and aggregate indebtedness change day to day, but on December 31, 2008, the Company had net capital of $26,080, which was $21,080 in excess of its required net capital of $5,000; and the Company's ratio of aggregate indebtedness ($21,589) to net capital was 0.83 to 1, which is less than the 15 to 1 maximum ratio allowed.

**Vanir Securities, Inc.**
**Schedule I - Computation of Net Capital Requirements**
**Pursuant to Rule 15c3-1**
**As of December 31, 2008**

**Computation of net capital**

| | | |
|---|---|---|
| **Stockholder's equity** | | |
| Capital stock | $ 20,000 | |
| Additional paid-in capital | 31,489 | |
| Accumulated deficit | (21,687) | |
| **Total stockholder's equity** | | $ 29,802 |
| Less: Non-allowable assets | | |
| Office equipment, net | (722) | |
| Prepaid expense | (3,000) | |
| Total adjustments | | (3,722) |
| **Net capital** | | 26,080 |

**Computation of net capital requirements**

| | | |
|---|---|---|
| Minimum net capital requirements | | |
| 6 ⅔ percent of net aggregate indebtedness | $ 1,439 | |
| Minimum dollar net capital required | $ 5,000 | |
| Net capital required (greater of above) | | 5,000 |
| **Excess net capital** | | $ 21,080 |
| Ratio of aggregate indebtedness to net capital | 0.83: 1 | |

There was no material difference between net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated December 31, 2008.

*See independent auditor's report.*

**Vanir Securities, Inc.**
**Schedule II - Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3**
**As of December 31, 2008**

A computation of reserve requirements is not applicable to Vanir Securities, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

## Vanir Securities, Inc.
## Schedule III - Information Relating to Possession or Control Requirements Under Rule 15c3-3
## As of December 31, 2008

Information relating to possession or control requirements is not applicable to Vanir Securities, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

**Vanir Securities, Inc.**

**Supplementary Accountant's Report**

**on Internal Accounting Control**

**Report Pursuant to 17a-5**

**For the Year Ended December 31, 2008**

Board of Directors
Vanir Securities, Inc.:

In planning and performing our audit of the financial statements of Vanir Securities, Inc. (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's 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. This 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 judgements 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, 2008, 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.

Breard & Associates, Inc

Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
February 18, 2009

**Vanir Securities, Inc.**

**Report Pursuant to Rule 17a-5 (d)**

**Financial Statements**

**For the Year Ended December 31, 2008**