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

SEC
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Section

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **First Illinois Securities, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

22 Heritage

(No. and Street)

Bourbonnais

IL

60914

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
James Kresl (815) 932-4646

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Burke, Montague and Associates, LLC

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

P.O. Box 390

Bradley

IL

60915

(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)

OATH OR AFFIRMATION

I, James Kresl, 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 Illinois Securities, Inc., as of December 31, 2012, 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

C.E.O.
Title

[Handwritten Signature]
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.

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

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2012

Burke, Montague & Associates L.L.C.

Certified Public Accountants, Advisors & Auditors

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2012

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
TABLE OF CONTENTS
DECEMBER 31, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1-2
FINANCIAL STATEMENTS:	
BALANCE SHEET	3
STATEMENT OF OPERATIONS	4
STATEMENT OF STOCKHOLDERS' EQUITY	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-8
SUPPLEMENTARY INFORMATION:	
COMPUTATION OF NET CAPITAL	9
COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS	10
COMPUTATION OF AGGREGATE INDEBTEDNESS	10
EXEMPTIVE PROVISION UNDER RULE 15c3-3	10

Burke, Montague & Associates L.L.C.

Certified Public Accountants, Advisors & Auditors

Members

Charles R. Burke, CPA
Raymond J. Raymond, CPA
Kathleen C. Wilson, CPA

Consultant

Robert J. Montague, CPA

INDEPENDENT AUDITOR'S REPORT

Board and Management of
First Illinois Securities, Inc.

We have audited the accompanying financial statements of First Illinois Securities, Inc. (An Illinois Corporation), which are comprised of the balance sheet as of December 31, 2012, and the related statements of income, retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Illinois Securities, Inc. as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BURKE, MONTAGUE & ASSOCIATES L.L.C.

Burke, Montague & Associates LLC

Bradley, IL

February 20, 2013

**FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
BALANCE SHEET
AS OF DECEMBER 31, 2012**

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$	67,575
Investments		29,731
Accounts Receivable		11,997
Prepaid CRD Expenses		150
Total Current Assets		<u>109,453</u>

TOTAL ASSETS	\$	<u>109,453</u>
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LIABILITIES & STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	116
Accrued Expenses - Other		126
Total Current Liabilities		<u>242</u>

STOCKHOLDER'S EQUITY

Common Stock, \$.01 Par Value, 1,000 Shares Authorized, 1000 Shares Issued & Outstanding		10
Paid in Excess		7,490
Retained Earnings		101,711
Total Stockholder's Equity		<u>109,211</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$	<u>109,453</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Revenue	\$	104,013
Cost of Goods Sold		
CLEARING CHARGES		16,898
REGISTRATION		1,376
Total Cost of Goods Sold		<u>18,274</u>
Gross Profit		<u>85,739</u>
Operating Expenses		
BANK CHARGES		22
BD EXPENSE		90,259
Total Operating Expenses		<u>90,281</u>
Operating Income (Loss)		<u>(4,542)</u>
Other Income (Expense)		
INTEREST & DIVIDEND INCOME		5,770
Total Other Income (Expense)		<u>5,770</u>
Net Income (Loss) Before Taxes		1,228
Income Tax Expense		<u>0</u>
Net Income (Loss)	\$	<u><u>1,228</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>
Balance, January 1, 2012	\$ 10	\$ 7,490	\$ 150,483
Net Income	0	0	1,228
Less: Dividends Paid	0	0	(50,000)
Balance, December 31, 2012	<u>\$ 10</u>	<u>\$ 7,490</u>	<u>\$ 101,711</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (Loss)	\$ 1,228
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	
Decrease (Increase) in Operating Assets:	
Accounts Receivable	(5,835)
Investments	(66)
Prepaid Expenses	12,346
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(10)
Accrued Expense	126
Total Adjustments	<u>6,561</u>
Net Cash Provided By (Used in) Operating Activities	<u>7,789</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividends Paid	<u>(50,000)</u>
Net Cash Provided By (Used in) Financing Activities	<u>(50,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,211)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>109,786</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 67,575</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:	
Income Taxes Paid	<u>\$ 0</u>
Interest Paid	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1-NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

The summary of significant accounting policies of FIRST ILLINOIS SECURITIES, INC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The financial statements of First Illinois Securities, Inc. include all operations of the Company. The Company was organized on November 19, 1986 as an Illinois Corporation for purposes of operating as a broker/dealer. In 1994, the Company changed its name from Dearborn Securities, Inc. to First Illinois Securities, Inc. On August 6, 1987, the Company was approved as a National Association of Securities Dealers, Inc. (NASD) member established to sell Direct Participating Programs Limited Partnerships and not to hold customer funds or safekeep customer securities.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The accompanying financial statements have been prepared on the accrual basis of accounting, wherein expenses are recognized as incurred and revenues are recognized at the time of sale.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as certificates of deposit with maturities of three months or less. The Company may, on occasion, maintain bank balances in excess of federally insured limits. The Company has not experienced any losses in these accounts. Management does not feel this exposes the Company to significant credit risk.

Investments

Investments consist of certificates of deposit with original maturities in excess of three months.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items.

Accounts Receivable

The Company uses the direct write-off method of recognizing uncollectible receivables. As of December 31, 2012, there were no accounts receivable for which the ultimate collection was considered to be in doubt.

FIRST ILLINOIS SECURITIES, INC
(AN ILLINOIS CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Estimates

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

NOTE 2-RELATED PARTY TRANSACTIONS

The Company has entered into a variety of transactions with its shareholder and an entity controlled by its shareholder. Operating expenses of the Company are paid to a related company. The aggregate amount of these broker dealer expenses for the year ended December 31, 2012 was \$90,259.

NOTE 3-INCOME TAXES

The Company accounts for income taxes on the liability method. At December 31, 2012, the Company had no apparent unrecorded tax attributes. The income tax provision is computed as follows:

Net Book Income Before Taxes	\$1,228
Statutory Federal & Illinois Tax Rate	<u>38.73%</u>
Statutory Taxes	(476)
Surtax Exemptions & Timing Differences	<u>(476)</u>
Current Expense	0
Less: Estimated Payments	<u>0</u>
Current Payable (Receivable)	<u>\$ 0</u>

NOTE 4-SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 20, 2013, the date the financial statements were available to be issued.

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER First Illinois Securities, Inc.	as of December 31, 2012
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COMPUTATION OF NET CAPITAL

1. Total ownership equity from Balance Sheet	\$	109,211	3480	
2. Deduct ownership equity not allowed for Net Capital			3490	
3. Total ownership equity qualified for Net Capital		109,211	3500	
4. Add:				
A. Liabilities subordinated to the claims of general creditors allowable in computation of net capital			3520	
B. Other (deduction) or allowable credits (List)			3525	
5. Total capital and allowable subordinated liabilities	\$	109,211	3530	
6. Deductions and/or charges:				
A. Total nonallowable assets from Balance Sheet	150	3540		
B. Secured demand note deficiency		3590		
C. Commodity futures contracts and spot commodities-propriety capital charges		3600		
D. Other deductions or charges		3610		
7. Other additions and/or allowable credits (List)			(150)	3620
8. Net capital before haircuts on securities positions				3630
9. Haircuts on securities (computed where applicable pursuant to 15c3-1(f)):		\$	109,061	3640
A. Contractual securities commitments		3660		
B. Subordinated securities borrowings		3670		
C. Trading and investment securities				
1. Exempted securities		3735		
2. Debt securities		3733		
3. Options		3730		
4. Other securities - Money Market Mutual Fund		3734		
D. Undue Concentration		3650		
E. Other (List)		3736	0	3740
10. Net Capital	\$	109,061	3750	

Reconciliation between unaudited and audited Net Capital Computation

Net Capital per unaudited FOCUS Report Part IIA	\$	109,058		
Adjustment for prepaid expense			3	
Net Capital per audited financial statements	\$	109,061		

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER First Illinois Securities, Inc.	as of December 31, 2012
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	16	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	104,061	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	109,037	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.i. Liabilities from Balance Sheet	\$	242	3790
17. Add:			
A. Drafts for immediate credit		3800	
B. Market Value of securities borrowed for which no equivalent value is paid or credited		3810	
C. Other unrecorded amounts		3820	0
19. Total Aggregate indebtedness	\$	242	3840
20. Percentage of aggregate indebtedness to net capital (line 19/line 10)	%	0.22%	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	0.00%	3860

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based			4550
A. (k)(1)—\$2,500 capital category as per Rule 15c3-3			4560
B. (k)(2)(A)—Special Account for the Exclusive Benefit of Customers maintained			
C. (k)(2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis.			
Name of clearing firm <u>SOUTHWEST SECURITIES</u>		4335	4570
D. (k)(3)—Exempted by order of the Commission (include copy of letter)			4580