

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

TC913  
OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 2004  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8- 50391

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 July 1, 2002 AND ENDING June 30, 2003  
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.)

5150 Avenida Encinas

(No. and Street)

Carlsbad

(City)

California

(State)

92008

(Zip Code)

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

James Fox

602/241-7866

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

PROCESSED

SEP 08 2003

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

Darilek, Butler & Co., P.C.

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

2702 N Loop 1604 E, Ste 202

(Address)

San Antonio

(City)

Texas

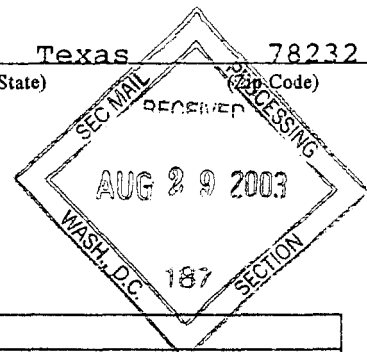
(State)

78232

(Zip Code)

CHECK ONE:

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



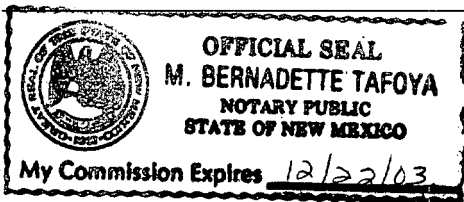
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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., as of June 30, 2003, 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:

None



[Signature]  
Signature  
Chief Financial Officer  
Title

M. Bernadette Tafoya  
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 15c3-3 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.
- (o) Independent Auditors' Report on Internal Accounting Control

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

INDEPENDENT AUDITORS' REPORT

Page 3

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

We have audited the accompanying statement of financial condition of James Fox Securities, Inc., as of June 30, 2003, and the related statements of income, changes in stockholder's equity, and cash flows for the year 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 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, 2003, 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 15, 2003



Statement of Financial Condition  
June 30, 2003

## ASSETS

## Current Assets:

|                                   |    |               |
|-----------------------------------|----|---------------|
| Cash                              | \$ | 23,856        |
| Accounts Receivable - Commissions |    | 3,221         |
| Prepaid Expenses                  |    | 1,093         |
| Total Current Assets              |    | <u>28,170</u> |

|  |  |            |
|--|--|------------|
| Furniture and Fixtures, Net of \$2,410 in Accumulated Depreciation |  | <u>746</u> |
|--|--|------------|

|  |    |                      |
|--|----|----------------------|
|  | \$ | <u><u>28,916</u></u> |
|--|----|----------------------|

## LIABILITIES AND STOCKHOLDERS' EQUITY

## Current Liabilities:

|                           |    |               |
|---------------------------|----|---------------|
| Accounts Payable - Trade  | \$ | 10,474        |
| Taxes Payable             |    | 1,220         |
| Total Current Liabilities |    | <u>11,694</u> |

## Stockholder's Equity:

|   |    |                      |
|---|----|----------------------|
| Common Stock, \$0.01 Par Value, 100,000 Shares Authorized,<br>100,000 Issued and 50,000 Outstanding |    | 1,000                |
| Additional Paid In Capital  |    | 34,000               |
| Retained Earnings   |    | <u>2,222</u>         |
| Total Stockholders' Equity  |    | 37,222               |
| Less 50,000 Shares Treasury Stock at Cost   |    | <u>(20,000)</u>      |
|   | \$ | <u><u>17,222</u></u> |
|   |    | <u><u>28,916</u></u> |

The Accompanying Notes are an Integral Part of These Financial Statements.

Statement of Income  
Year Ended June 30, 2003

|  |    |                     |
|--|----|---------------------|
| Revenues                                       |    |                     |
| Commission Income                              | \$ | 30,602              |
| Interest Income                                |    | 4,369               |
|  |    | <u>34,971</u>       |
| Expenses                                       |    |                     |
| Advertising                                    |    | 232                 |
| Commissions                                    |    | 3,240               |
| Contract Labor                                 |    | 1,875               |
| Depreciation                                   |    | 578                 |
| Equipment Lease                                |    | 489                 |
| Penalties                                      |    | 127                 |
| Insurance                                      |    | 418                 |
| Interest                                       |    | 1,981               |
| Licenses and Examination Fees                  |    | 2,109               |
| Office   |    | 1,170               |
| Other Taxes                                    |    | 871                 |
| Postage and Shipping                           |    | 522                 |
| Professional Fees                              |    | 6,969               |
| Rent   |    | 9,035               |
| Repairs and Maintenance                        |    | 0                   |
| Stock Exchange Fees                            |    | 1,583               |
| Telephone                                      |    | 2,971               |
| Travel and Entertainment                       |    | 1,048               |
|  |    | <u>35,218</u>       |
| Loss Before Provision for Federal Income Taxes |    | <u>(247)</u>        |
| Provision for Federal Income Taxes             |    | <u>0</u>            |
| Net Loss                                       | \$ | <u><u>(247)</u></u> |

The Accompanying Notes are an Integral Part of These Financial Statements.

Statement of Changes in Stockholder's Equity  
 Year Ended June 30, 2003

|                         | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid-in<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Treasury<br/>Stock</u> | <u>Total</u>     |
|-------------------------|-------------------------|---|------------------------------|---------------------------|------------------|
| Balance - June 30, 2002 | \$ 1,000                | \$ 34,000                                 | \$ 2,469                     | \$ (20,000)               | \$ 17,469        |
| Net Loss                | <u>0</u>                | <u>0</u>                                  | <u>(247)</u>                 | <u>0</u>                  | <u>(247)</u>     |
| Balance - June 30, 2003 | <u>\$ 1,000</u>         | <u>\$ 34,000</u>                          | <u>\$ 2,222</u>              | <u>\$ (20,000)</u>        | <u>\$ 17,222</u> |

Statement of Cash Flows  
Year Ended June 30, 2003

**Cash Flows from Operating Activities:**

|   |                |
|---|----------------|
| Net Loss  | \$ (247)       |
| Adjustments to Reconcile Net Income to Cash Provided by Operating Activities: |                |
| Depreciation  | 578            |
| (Increase) Decrease in:   |                |
| Accounts Receivable - Commissions   | (2,890)        |
| Accounts Receivable - Other   | 0              |
| Prepaid Expenses  | (198)          |
| Increase (Decrease) in:   |                |
| Accounts Payable  | 1,600          |
| Commissions Payable   | 0              |
| Taxes Payable   | (760)          |
| Net Cash Used by Operating Activities   | <u>(1,917)</u> |

**Cash Flows from Investing Activities:**

|                                       |          |
|---------------------------------------|----------|
| Purchase of Fixed Assets              | <u>0</u> |
| Net Cash Used by Investing Activities | <u>0</u> |

**Cash Flows from Financing Activities:**

|   |          |
|---|----------|
| Advances from Bank Line of Credit         | 0        |
| Payments on Bank Line of Credit           | <u>0</u> |
| Net Cash Provided by Financing Activities | <u>0</u> |

Net Decrease in Cash (1,917)

Cash Balance - June 30, 2002 25,773

Cash Balance - June 30, 2003 \$ 23,856

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

Cash Paid During the Year for Interest \$ 1,981

Notes to Financial Statements  
June 30, 2003

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.

These statements have been prepared in accordance with standards established for the securities broker and dealers industry.

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.



Notes to Financial Statements  
June 30, 2003

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. Such estimates primarily relate to depreciable lives of fixed assets and bad debt estimates. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Advertising Costs**

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense in the amount of \$232 is included in the current operations for the year ended June 30, 2003.

**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

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

|  |    |          |
|--|----|----------|
| Income tax at statutory rate   | \$ | (37)     |
| Permanent book/tax differences   |    | 55       |
|  |    | <hr/>    |
| Less: Expected Use of Tax Benefits from Previous<br>Net Operating Losses |    | (18)     |
|  |    | <hr/>    |
| Income Tax Expense   | \$ | <u>0</u> |

The Company has net operating loss carryforwards totaling \$5,378 that may be offset against future taxable income. These tax carryforwards expire in the following years:

|      |    |              |
|------|----|--------------|
| 2020 | \$ | 170          |
| 2021 |    | 5,208        |
|      |    | <hr/>        |
|      | \$ | <u>5,378</u> |

Notes to Financial Statements  
June 30, 2003

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, 2003, the Company had net capital of \$15,383 which was \$10,383 in excess of its required net capital of \$5,000. The Company's net capital ratio was .76 to 1.

Note D - Bank Line of Credit

The Company has established a cash reserve line of credit with the Union Bank of California. The credit line limit is \$1,000 with no balance payable at June 30, 2003. The interest rate at June 30, 2003 was 16.8%. Interest expense on the credit line for the year ended June 30, 2003 was \$1,981.

Note E - Concentration of Credit Risk

The Company maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2003, there were no deposits in excess of the FDIC coverage.

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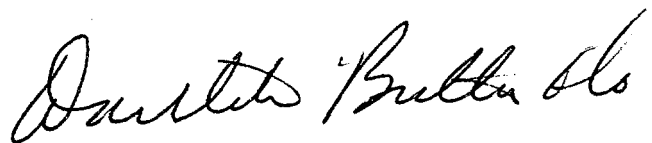
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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION  
REQUIRED BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION

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

Our report on our audit for the basic financial statements of James Fox Securities, Inc. for the year ended June 30, 2003 appears on Page 3. That 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 of the Securities and Exchange Commission. 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 15, 2003



Schedule I - Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
June 30, 2003

Net Capital and Computation of Basic Net Capital Requirements

|  |                         |
|--|-------------------------|
| Total Stockholders' Equity   | \$ 17,222               |
| Less: Net Assets not Allowable for Net Capital   | <u>1,839</u>            |
| Net Capital  | 15,383                  |
| Less: Minimum Net Capital Requirements<br>(Greater of 6 2/3% of Aggregate Indebtedness or \$5,000) | <u>5,000</u>            |
| Excess Net Capital   | <u><u>\$ 10,383</u></u> |

Aggregate Indebtedness

Items Included in the Statement of Financial Condition:

|   |                         |
|---|-------------------------|
| Accounts Payable and Accrued Expenses               | <u>\$ 11,694</u>        |
| Total Aggregate Indebtedness                        | <u><u>\$ 11,694</u></u> |
| <b>Ratio: Aggregate Indebtedness to Net Capital</b> | <u><u>.76 to 1</u></u>  |

Schedule II - Other Reporting Requirements  
June 30, 2003

**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) Amended FOCUS Report | \$ | 10,332               |
| Year-End Adjustments - Net   |    | <u>51</u>            |
| Net Capital per Schedule I   | \$ | <u><u>10,383</u></u> |

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY SEC 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. for the year ended June 30, 2003, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the Commission), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures), followed by James Fox Securities, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g)(1)(i) to make the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11). The Company did not handle securities and did not maintain customer accounts during the fiscal year; accordingly, the review objectives stated in Rule 17a-5(g)(1)(ii), (iii), and (iv) are not applicable.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives. The objective of an internal control structure and of the practices and procedures is to provide management with reasonable, but not absolute, assurance (1) that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and (2) that transactions are executed in conformity with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.