



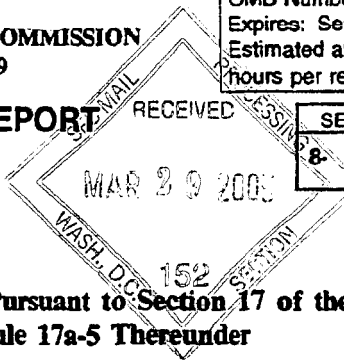
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

OMB APPROVAL  
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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 January 1, 2004 AND ENDING December 31, 2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Diversified Global Capital Group, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

2121 East Pacific Coast Hwy, Ste 210

(No. and Street)

Corona Del Mar

California

92625

(City)

(State)

(Zip Code)

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

Patrick N DiCarlo Jr

(949) 270-2740

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Kevin G. Breard, CPA An Accountancy Corporation

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

9010 Corbin Avenue, Suite 7

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.

PROCESSED  
APR 11 2005  
THOMSON  
FINANCIAL

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 (3-91)

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**OATH OR AFFIRMATION**

I, Patrick N. DiCarlo Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Diversified Global Capital Group, Inc., as of December 31, 2004, 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:

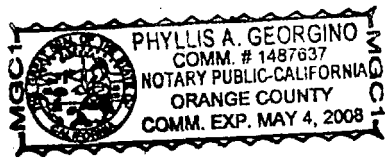
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State of CALIFORNIA  
 County of ORANGE

Subscribed and sworn (or affirmed) to before me this 16<sup>th</sup> day of MARCH, 2005

Phyllis A. Georgino  
 Notary Public

Patrick N. DiCarlo Jr.  
 Signature  
OWNER  
 Title



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~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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).

KEVIN G. BREARD, C.P.A.  
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

Board of Directors  
Diversified Global Capital Group, Inc.

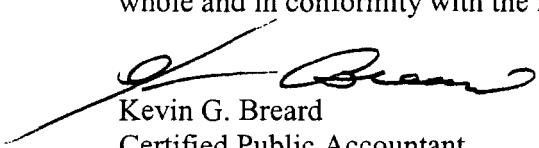
I have audited the accompanying statement of financial condition of Diversified Global Capital Group, Inc. as of December 31, 2004, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diversified Global Capital Group, Inc. as of December 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the financial statements, the Company has suffered recurring losses from operations and stagnant activity which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.

  
Kevin G. Breard  
Certified Public Accountant

Northridge, California  
March 18, 2005

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9010 CORBIN AVENUE, SUITE 7  
NORTHRIDGE, CALIFORNIA 91324  
(818) 886-0940 • FAX (818) 886-1924  
B r e a r d C P A @ a o l . c o m

**Diversified Global Capital Group, Inc.**  
**Statement of Financial Condition**  
**December 31, 2004**

**Assets**

Cash	\$ 17,370
Receivable - other	5,600
Deposits	7,564
Furniture and equipment, net	<u>34,674</u>
<b>Total assets</b>	<b><u>\$ 65,208</u></b>

**Liabilities & Stockholder's Equity**

<b>Liabilities</b>	\$ —
<b>Commitments and contingencies</b>	—
<b>Stockholder's equity</b>	
Common stock, no par value, 10,000 shares authorized, issued, and outstanding	100,000
Additional paid-in capital	906,067
Accumulated deficit	<u>(940,859)</u>
<b>Total stockholder's equity</b>	<b><u>65,208</u></b>
<b>Total liabilities &amp; stockholder's equity</b>	<b><u>\$ 65,208</u></b>

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

**Diversified Global Capital Group, Inc.**  
**Statement of Operations**  
**For the Year Ended December 31, 2004**

**Revenues**

Commissions	\$ 5,445
Fee income	<u>1,667</u>
<b>Total revenue</b>	<b>7,112</b>

**Expenses**

Commissions, trading fees and floor brokerage	20
Occupancy and equipment rental	96,317
Other operating expenses	<u>100,024</u>
<b>Total expenses</b>	<u><b>196,361</b></u>

**Income (loss) before income tax provision** (189,249)

**Income tax provision** 800

**Net income (loss)** \$ (190,049)

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

**Diversified Global Capital Group, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2004**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, at December 31, 2003	\$ 100,000	\$ 719,415	\$ (750,810)	\$ 68,605
Issuance of additional paid-in capital	—	186,652	—	186,652
Net income (loss)	<u>—</u>	<u>—</u>	<u>(190,049)</u>	<u>(190,049)</u>
Balance, at December 31, 2004	<u>\$ 100,000</u>	<u>\$ 906,067</u>	<u>\$ (940,859)</u>	<u>\$ 65,208</u>

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

**Diversified Global Capital Group, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**

<b>Cash flow from operating activities</b>		
Net income (loss)		\$ (190,049)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	\$ 19,905	
(Increase) decrease in:		
Receivable - other	(600)	
(Decrease) increase in:		
Income taxes payable	<u>(800)</u>	
<b>Total adjustments</b>		<u>18,505</u>
<b>Net cash provided by (used in) operating activities</b>		(171,544)
<b>Cash flows from investing activities</b>		-
<b>Cash flows from financing activities</b>		
Net proceeds from issuance of additional paid-in capital	<u>186,652</u>	
<b>Net cash provided by (used in) financing activities</b>		<u>186,652</u>
<b>Net increase (decrease) in cash</b>		15,108
<b>Cash at the beginning of the year</b>		<u>2,262</u>
<b>Cash at the end of the year</b>		<u>\$ 17,370</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period ended December 31, 2004		
Income taxes	\$ 1,600	
Interest	\$ -	

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

**Diversified Global Capital Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2004**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Diversified Global Capital Group, Inc. (the "Company") was incorporated in the state of California on March 29, 2002, as a broker-dealer registered with the Securities and Exchange Commission (the "SEC") in the business of securities brokerage and investment counseling. The Company is a wholly owned subsidiary of Diversified Global Capital Holding, LLC (the "Parent"), and is a member of the National Association of Securities Dealers ("NASD") and the Securities Investor Protection Corporation ("SIPC").

The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by another Broker/Dealer. The Company does not hold customer funds and/or securities.

*Summary of Significant Accounting Principles*

The presentation of financial statements in conformity with accounting principles generally accepted in the United State of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions are recorded on a settlement date basis.

Furniture and 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. Property and equipment are depreciated over their estimated useful lives ranging from three (3) to (5) years by the straight-line method.

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.



**Diversified Global Capital Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2004**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(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.

**Note 2: FURNITURE AND EQUIPMENT, NET**

The furniture and equipment are recorded at cost.

		<u>Depreciable Life Years</u>
Computer	\$ 20,223	3
Furniture and equipment	48,809	5
Leasehold improvement	<u>17,021</u>	5
	86,053	
Less accumulated depreciation	<u>(51,379)</u>	
Furniture and equipment, net	<u>\$ 34,674</u>	

Depreciation expense for the year ended December 31, 2004 was \$19,905.

**Note 3: INCOME TAXES**

For the year ended December 31, 2004 the Company recorded the minimum California Franchise Tax of \$800.

The Company has available at December 31, 2004 unused operating loss carry-forwards, which may be applied against future taxable income, resulting in a deferred tax asset of approximately \$133,908, that expire as follows:

Amount of unused operating loss carry-forwards	Expiration during year ended December 31,
\$ 374,097	2022
328,575	2023
<u>190,049</u>	2024
<u>\$ 892,721</u>	

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

**Diversified Global Capital Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2004**

**Note 4: RECEIVABLE - OTHER**

The receivable - other is an advance to one of the Company's brokers. The balance of \$5,600 at December 31, 2004, is non-interest bearing and due on demand.

**Note 5: RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2004, the Parent paid \$178,651 of the Company's current year operating expenses, as additional paid-in capital.

**Note 6: COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company entered into a lease agreement for office space under a non-cancelable lease which commenced January 31, 2002 and expires January 31, 2007.

Future minimum lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 102,349
2006	104,789
2007	28,812
2008	-
2009	-
Total	<u>\$ 235,950</u>

Rent expense was \$96,317 for the year ended December 31, 2004.

*Going Concern*

The Company had no activity for the year ended December 31, 2004, and was also inactive the last quarter of 2003. This inactivity has resulted in substantial operating losses. Management has a plan to be more of a going concern. First, the Company has increased its marketing effort. The Company is currently courting the possibilities of acquiring another broker/dealer or being acquired by another broker/dealer. Secondly, to provide liquidity, the Parent will continue to capitalize the Company to fund its continuing operations.

**Diversified Global Capital Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2004**

**Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS**

In January 2003, The Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*" (FIN 46"). This interpretation of Accounting Research Bulletin No. 51, requires companies to consolidate the operations of all variable interest entities ("VIE's") for which they are the primary beneficiary. The term "primary beneficiary" is defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. This interpretation was later revised by the issuance of Interpretation No. 46R ("FIN 46R"). The revision was issued to address certain implementation issues that had arisen since the issuance of the original interpretation and to provide companies with the ability to defer the adoption of FIN 46 to periods after March 15, 2004. The implementation of FIN No. 46 and FIN 46R, had no material impact on the Company's financial statements.

On July 16, 2004, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on Issue 02-14, "*Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means*" ("EITF 02-14"). The consensus concludes that an investor should apply the equity method of accounting when it can exercise significant influence over an entity through a means other than holding voting rights. The consensus is effective for reporting periods beginning after September 15, 2004. The adoption of EITF 02-14 did not have a material impact on the Company's financial statements.

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" ("FASB 123R"), which addresses the accounting for employee stock options. FASB 123R requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements based on the estimated fair value of the awards. Stock options are a valuable and important tool that have been used by many companies as a means to motivate employees and to promote business growth. The statement requires that the value of these arrangements be measured and recognized in the financial statements. FASB 123R becomes effective for reports filed after June 15, 2005. Early adoption of FASB 123R had no material effect on the Company's financial statements.

**Diversified Global Capital Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2004**

**Note 8: COMPUTATION OF NET CAPITAL**

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both 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, 2004, the Company's net capital of \$17,370 exceeded the minimum net capital requirement by \$12,370; and the Company's ratio of aggregate indebtedness (\$-0-) to net capital was not applicable as the Company has no aggregate indebtedness, which is less than the 15 to 1 maximum ratio allowed of a Broker/Dealer.

**Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$ 800 difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA

Net capital per unaudited schedule		\$ 16,570
Adjustments:		
Additional paid-in capital	\$ 127,130	
Accumulated deficit	(146,236)	
Non-allowable assets	19,905	
Rounding	<u>1</u>	
Total adjustments		<u>800</u>
Net capital per audited statements		<u><u>\$ 17,370</u></u>

**Diversified Global Capital Group, Inc.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2004**

**Computation of net capital**

Common stock	\$ 100,000	
Additional paid-in capital	906,067	
Accumulated deficits	<u>(940,859)</u>	
<b>Total stockholder's equity</b>		<b>\$ 65,208</b>
Less: Non-allowable assets		
Receivable - other	(5,600)	
Property and equipment, net	(34,674)	
Deposits	<u>(7,564)</u>	
Total non-allowable assets		<u>(47,838)</u>
<b>Net Capital</b>		<b>17,370</b>

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ -	
Minimum dollar net capital required	\$ 5,000	
Net capital required (greater of above)		<u>5,000</u>

**Excess net capital** \$ 12,370

Percentage of aggregate indebtedness to net capital N/A

There was a \$800 difference in the net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated December 31, 2004 (See Note 9).

*See independent auditor's report*

**Diversified Global Capital Group, Inc.**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2004**

A computation of reserve requirement is not applicable to Diversified Global Capital Group, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report*

**Diversified Global Capital Group, Inc.**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of December 31, 2004**

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

*See independent auditor's report*

**Diversified Global Capital Group, Inc.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2004**



KEVIN G. BREARD, C.P.A.  
AN ACCOUNTANCY CORPORATION

Board of Directors  
Diversified Global Capital Group, Inc.

In planning and performing my audit of the financial statements and supplemental schedules of Diversified Global Capital Group, Inc. for the year ended December 31, 2004, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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, I have made a study of the practices and procedures followed by Diversified Global Capital Group, Inc. including tests of such practices and procedures that I considered relevant to 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 security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. 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 structure 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 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. Two of the objectives of an internal control structure 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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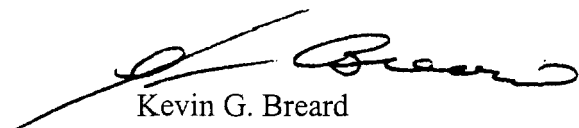
NORTHRIDGE OFFICE PLAZA  
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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose 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 material inadequacy for such purposes. Based on this understanding on my study, I believe that the Company's practices and procedures were adequate at December 31, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Kevin G. Breard  
Certified Public Accountant

Northridge, California  
March 18, 2005