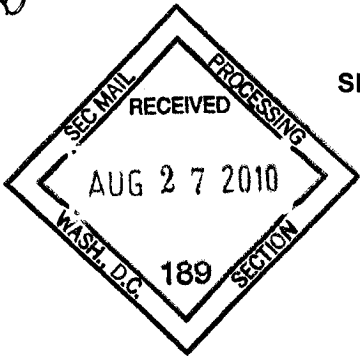


BB

pw



SECU



10031886

MISSION

OMB APPROVAL

OMB Number: 3235-0123
 Expires: April 30, 2013
 Estimated average burden
 Hours per response.....12.00

SEC FILE NUMBER

8-30576

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

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
 Securities Exchange Act of 1934 and Rule 17a-5 There under**

REPORT FOR THE PERIOD BEGINNING JULY 1, 2009 AND ENDING JUNE 30, 2010
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **NELSON SECURITIES, INC.**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

601 W. MAIN STREET, SUITE 1118

(No. and Street)

SPOKANE

(City)

WA

(State)

99201

(Zip Code)

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

PATRICK K. DONAHUE

509-838-1313

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McDIRMID, MIKKELSON & SECREST, P.S.

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

926 W. SPRAGUE, SUITE 380

(Address)

SPOKANE

(City)

WA

(State)

99201

(Zip Code)

CHECK ONE:

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

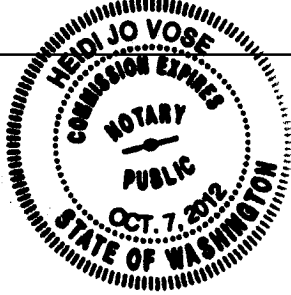
FOR OFFICIAL USE ONLY

*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)

pw

OATH OR AFFIRMATION

I, ROBERT O. NELSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NELSON SECURITIES, INC., as of JUNE 30, 20 10, 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:



[Signature]
Notary Public

[Signature]
Signature

PRESIDENT
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.
- (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).

NELSON SECURITIES, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10
Independent Auditors' Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission	11
Supplemental Schedules:	
Schedule 1 - Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission	12
Schedule 2 - Computation for Determination of Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission	13
Schedule 3 - Reconciliation with Company's Computation of Net Capital Included in Part II of Form X-17A-5	14
Schedule 4 - Information Relating to Possession or Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission	15
Independent Auditors' Report on Internal Controls Required by the Securities and Exchange Commission Rule 17a-5	16 - 17

McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid
Chris D. Mikkelsen
Kenneth E. Secrest
William A. Simer
Andrew J. McDirmid
Marcie M. Harper
Keith A. Schmidt

926 W. Sprague, Suite 300
Spokane, WA 99201.4000
509.747.6154
FAX 509.838.0508
www.mmsps.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Nelson Securities, Inc.
Spokane, Washington

We have audited the accompanying statement of financial condition of Nelson Securities, Inc. as of June 30, 2010 and 2009, and the related statements of operations, changes in stockholder's equity and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nelson Securities, Inc. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

McDirmid, Mikkelsen + Secrest, P.S.

August 24, 2010
Spokane, Washington

NELSON SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash	\$ 66,466	\$ 844
Receivable from clearing broker	30,097	3,065
Investment advisory fees and commissions receivable	139,380	123,444
Employee receivable	25,385	21,934
Marketable securities owned:		
Trading account	2,323	2,289
Investment account	28,875	22,825
Prepaid expenses	16,003	13,198
Deposit with clearing house	50,000	50,000
Furniture and equipment	3,894	7,519
Newsletter publishing rights, less accumulated amortization of \$85,347 and \$82,977	2,371	2,371
	\$ 362,423	\$ 247,489
LIABILITIES AND STOCKHOLDER'S EQUITY		
Checks written in excess of bank balance		\$ 3,565
Payable to vendors	\$ 11,768	20,872
Payroll and business taxes payable	18,141	19,653
Accrued salaries and commissions	47,858	
State income taxes payable	60	60
Deferred advisory service revenue	14,819	10,734
	92,646	54,884
Stockholder's equity:		
Common stock, \$100 par value:		
Authorized, 500 shares;		
Issued and outstanding, 100 shares	10,000	10,000
Additional paid-in capital	328,279	328,279
Retained deficit	(68,502)	(145,674)
	269,777	192,605
	\$ 362,423	\$ 247,489

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

NELSON SECURITIES, INC.

STATEMENT OF OPERATIONS
for the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
Investment advisory fees and commissions	\$ 2,039,014	\$ 1,751,314
Trading commissions	180,679	144,239
Trading loss	6,086	(20,048)
Interest and dividend income	4,284	14,608
	<u>2,230,063</u>	<u>1,890,113</u>
Expenses:		
Salaries and commissions	1,356,699	1,302,392
Licenses and regulatory fees	46,621	58,516
Payroll taxes	97,113	84,277
Telephone and utilities	46,849	61,105
Occupancy and leases expense	157,980	168,095
Auto	19,721	22,629
Office expense and postage	99,908	87,789
Travel and entertainment	31,142	28,109
Consulting expense	72,273	44,876
Newsletter expense	14,400	15,900
Continuing education expense		142
Business and property taxes, net of refunds	10,124	6,941
Depreciation and amortization	5,996	8,297
Professional services	13,328	14,613
Insurance	119,914	125,063
Quotation service	21,476	18,136
401(k) plan expense		10,361
Miscellaneous	38,487	42,971
	<u>2,152,031</u>	<u>2,100,212</u>
Income (loss) before income taxes	78,032	(210,099)
Income tax expense	<u>860</u>	<u>860</u>
Net income (loss)	<u>\$ 77,172</u>	<u>\$ (210,959)</u>

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

NELSON SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
for the years ended June 30, 2010 and 2009

	<u>Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balances, July 1, 2008	100	\$ 10,000	\$ 252,734	\$ 65,285	\$ 328,019
Contributions			75,545		75,545
Net loss for the year ended June 30, 2009	<u> </u>	<u> </u>	<u> </u>	<u>(210,959)</u>	<u>(210,959)</u>
Balances, June 30, 2009	100	10,000	328,279	(145,674)	192,605
Net income for the year ended June 30, 2010	<u> </u>	<u> </u>	<u> </u>	<u>77,172</u>	<u>77,172</u>
Balances, June 30, 2010	<u>100</u>	<u>\$ 10,000</u>	<u>\$ 328,279</u>	<u>\$ (68,502)</u>	<u>\$ 269,777</u>

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

NELSON SECURITIES, INC.

STATEMENT OF CASH FLOWS
for the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income (loss)	\$ <u>77,172</u>	\$ <u>(210,959)</u>
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,996	8,297
Changes in assets and liabilities:		
Net receivable from clearing broker	(27,032)	10,768
Fees and commissions receivable	(15,936)	63,605
Employee receivables	(3,451)	(11,934)
Marketable securities owned, net	(6,084)	118,193
Check written in excess of bank balance	(3,565)	3,565
Prepaid expenses	(2,805)	14,680
Payable to vendors	(9,104)	9,709
Payroll and business taxes payable	(1,512)	(48,185)
Accrued salaries and commissions	47,858	
Deferred advisory service revenue	4,085	(15,953)
Total adjustments	<u>(11,550)</u>	<u>152,745</u>
Net cash provided by (used in) operating activities	<u>65,622</u>	<u>(58,214)</u>
 Cash flows from investing activities:		
Purchase of equipment		<u>(4,648)</u>
 Net increase (decrease) in cash	 65,622	 (62,862)
 Cash at beginning of year	 <u>844</u>	 <u>63,706</u>
 Cash at end of year	 <u>\$ 66,466</u>	 <u>\$ 844</u>
 Supplemental disclosure of non-cash financing activities:		
Investment securities contributed as additional paid-in capital		<u>\$ 75,545</u>
 Supplemental disclosure of cash paid for income taxes	 <u>\$ 860</u>	 <u>\$ 860</u>

The accompanying notes are an integral part of the financial statements.

NELSON SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. The Company and Significant Accounting Policies:

Nelson Securities, Inc. was incorporated under the laws of the State of Washington on October 3, 1983 to operate as a broker/dealer in investment securities. The Company has offices located in Spokane, Washington; San Diego, California; and Orlando, Florida.

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

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

Customers' securities transactions are recorded on a settlement date basis with the related commission revenues and expenses recorded on a trade date basis. Securities transactions of the Company are recorded on a trade date basis.

The Company places its cash and cash equivalents with high quality financial institutions. At times, the amount may be in excess of the FDIC insurance limits, however, the Company does not consider this to be a significant credit risk.

The Company's accounts receivable consist primarily of commissions due from various insurance companies and other broker/dealers under contractual agreements. Historically, the Company has not experienced losses related to these receivables and does not consider these amounts to be a significant credit risk.

Continued

NELSON SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, *Continued*

1. **The Company and Significant Accounting Policies, *continued*:**

Marketable securities owned by the Company are stated at fair value as disclosed in Note 2.

Furniture and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense when incurred. Additions and major improvements are capitalized.

The purchase cost of publishing rights for an investment newsletter is being amortized on the straight-line method over 15 years. Amortization expense was \$2,371 and \$5,690 for the years ended June 30, 2010 and 2009, respectively.

The Company's policy is to expense advertising costs when incurred.

2. **Fair Value:**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

Fair value at June 30, 2010 and 2009 was determined as follows:

<u>Marketable Securities</u>	<u>Quoted Prices in Active Markets</u>	
	<u>2010</u>	<u>2009</u>
Trading securities	\$ <u>2,323</u>	\$ 2,289
Available-for-sale (investment) securities	<u>28,875</u>	<u>22,825</u>
	<u>\$31,198</u>	<u>\$25,114</u>

Continued

NELSON SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, *Continued*

2. Fair Value, *continued*:

For all trading and available-for-sale securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

3. Furniture and Equipment:

Furniture and equipment at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 84,945	\$101,605
Computer equipment	<u>10,823</u>	<u>39,542</u>
	95,768	141,147
Less accumulated depreciation	<u>91,874</u>	<u>133,628</u>
	<u>\$ 3,894</u>	<u>\$ 7,519</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$3,625 and \$2,607, respectively.

4. Net Capital Requirements:

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company was required to maintain minimum net capital of \$5,000, and a net capital ratio of no more than 15 to 1, as defined under such provisions. Net capital and the related net capital ratio will fluctuate on a daily basis. The Company had net capital of \$173,840 and \$36,791 at June 30, 2010 and 2009, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was .53 to 1 and 1.49 to 1 at June 30, 2010 and 2009, respectively.

Continued

NELSON SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, *Continued*

5. Retirement Plan:

The Company has adopted a 401(k) plan covering all eligible employees. The plan allows employees to defer up to 75% of their salaries with a discretionary match made by the Company. During the year ended June 30, 2009 the Company reduced the match of participants' deferrals from 25% to 0%. For the years ended June 30, 2010 and 2009, the Company's contribution was zero and \$10,361, respectively.

6. Income Taxes:

The income tax provision for the years ended June 30, 2010 and 2009 was for state income tax expense. There was no federal income tax expense for the years ended June 30, 2010 and 2009. At June 30, 2010, the Company has an unused operating loss carryforward of approximately \$185,000 that may be applied against future taxable income through 2028.

The Company is no longer subject to examinations by the Internal Revenue Service or state tax commissions for fiscal years ending prior to June 30, 2007.

7. Lease Commitments:

The Company leases its Spokane and San Diego office space for \$8,014 monthly under operating lease agreements. The Spokane lease expires May 2013 and the San Diego lease expires September 2011. The Company also leases its Orlando office space for \$1,850 per month under a month to month agreement. Lease expense including utilities for all locations was \$99,327 and \$119,168 for the years ended June 30, 2010 and 2009, respectively. Future minimum payments under noncancellable office space leases having initial or remaining lease terms in excess of one year as of June 30, 2010, are as follows:

Years ending June 30:

2011	\$ 96,616
2012	81,249
2013	<u>70,772</u>
	<u>\$248,637</u>

Continued

NELSON SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, *Continued*

7. Lease Commitments, *continued*:

The Company leases various equipment from NFS Leasing, L.L.C., which is owned 100% by the stockholder of the Company. The lease agreements currently provide for rent of \$6,175 per month including applicable sales tax. Rent expense paid under these agreements was \$58,653 and \$48,927 for the years ended June 30, 2010 and 2009, respectively. Future minimum annual rents due under these agreements are as follows:

Years ending June 30:

2011	\$42,695
2012	18,007
2013	<u>6,453</u>
	<u>\$67,155</u>

8. Subsequent Events:

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 24, 2010, the day the financial statements were available to be issued, and has determined there are no subsequent events that require disclosure.

McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid
Chris D. Mikkelsen
Kenneth E. Secrest
William A. Simer
Andrew J. McDirmid
Marcie M. Harper
Keith A. Schmidt

926 W. Sprague, Suite 300
Spokane, WA 99201.4000
509.747.6154
FAX 509.838.0508
www.mmsps.com

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY
INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND
EXCHANGE COMMISSION**

Board of Directors
Nelson Securities, Inc.
Spokane, Washington

We have audited the accompanying financial statements of Nelson Securities, Inc. as of and for the year ended June 30, 2010, and have issued our report dated August 24, 2010. 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 1, 2, 3, and 4 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McDirmid, Mikkelsen + Secrest, P.S.

August 24, 2010
Spokane, Washington

NELSON SECURITIES, INC.

**SCHEDULE 1
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION**

June 30, 2010

Net capital:

Stockholders' equity:

Common stock	\$ 10,000	
Additional paid-in capital	328,279	
Retained deficit	<u>(68,502)</u>	
Total stockholders' equity		\$ 269,777

Deductions:

Non-allowable assets:

Other receivables	43,998	
Employee receivables	25,385	
Prepaid expenses	16,003	
Furniture and equipment at cost, net of accumulated depreciation	<u>3,894</u>	
		<u>89,280</u>

Net capital before haircut on securities positions

180,497

Haircuts on securities

5,033

Undue concentration

1,624

6,657

Net capital

\$ 173,840

Required net capital

\$ 5,000

Excess net capital

\$ 168,840

Aggregate indebtedness:

Payable to vendors	\$ 11,768	
Payroll and business taxes payable	18,141	
Accrued salaries and commissions	47,858	
State income taxes payable	60	
Deferred advisory service revenue	<u>14,819</u>	

Total aggregate indebtedness

\$ 92,646

Ratio of aggregate indebtedness to net capital

.53 to 1

NELSON SECURITIES, INC.

**SCHEDULE 2
COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES
AND EXCHANGE COMMISSION**

June 30, 2010

Nelson Securities, Inc. acts strictly as an introducing broker-dealer, clearing all transactions with and for customers on a fully disclosed basis with the clearing broker, which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto. Therefore, Nelson Securities, Inc. is not required to carry a "Special Reserve Bank Account for the Exclusive Benefit of Customers", as stated under Exemption Rule 15c3-3.

NELSON SECURITIES, INC.

SCHEDULE 3
RECONCILIATION WITH COMPANY'S COMPUTATION OF NET CAPITAL
INCLUDED IN PART II OF FORM X-17A-5

June 30, 2010

Net capital:

Net capital as reported on FOCUS REPORT	\$ 222,477	
Audit adjustments to accrue payroll	(47,858)	
Audit adjustment to increase state income tax payable	(60)	
Audit adjustment to increase undue concentration	<u>(719)</u>	
Net capital which should have been reported		<u>\$ 173,840</u>
Net capital as computed on page 12		<u>\$ 173,840</u>

Aggregate indebtedness:

Aggregate indebtedness as reported on FOCUS REPORT	\$ 44,727	
Audit adjustment to accrue payroll	47,858	
Audit adjustment to increase state income tax payable	60	
Rounding	<u>1</u>	
Aggregate indebtedness which should have been reported		<u>\$ 92,646</u>
Aggregate indebtedness as computed on page 12		<u>\$ 92,646</u>

NELSON SECURITIES, INC.

**SCHEDULE 4
INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3 OF THE
SECURITIES AND EXCHANGE COMMISSION**

June 30, 2010

Nelson Securities, Inc. acts strictly as an introducing broker-dealer, clearing all transactions with and for customers on a fully disclosed basis with the clearing broker, which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto. Therefore, Nelson Securities, Inc. is exempt under Rule 15c3-3.

McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid
Chris D. Mikkelsen
Kenneth E. Secrest
William A. Simer
Andrew J. McDirmid
Marcie M. Harper
Keith A. Schmidt

926 W. Sprague, Suite 300
Spokane, WA 99201.4000
509.747.6154
FAX 509.838.0508
www.mmsps.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS
REQUIRED BY THE SECURITIES AND EXCHANGE
COMMISSION RULE 17a-5**

Board of Directors
Nelson Securities, Inc.
Spokane, Washington

In planning and performing our audit of the financial statements of Nelson Securities, Inc. as of and for the year ended June 30, 2010 in accordance with auditing standards generally accepted in the United States, 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 judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit

Continued

Board of Directors
Nelson Securities, Inc.

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 or 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 our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at June 30, 2010 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies which 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.

McDermid, Mickelson & Sewart, P.S.

August 24, 2010
Spokane, Washington

NELSON SECURITIES, INC.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON
PROCEDURES**

June 30, 2010

McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid
Chris D. Mikkelsen
Kenneth E. Secrest
William A. Simer
Andrew J. McDirmid
Marcie M. Harper
Keith A. Schmidt

926 W. Sprague, Suite 300
Spokane, WA 99201.4000
509.747.6154
FAX 509.838.0508
www.mmmps.com

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S
SIPC ASSESSMENT RECONCILIATION**

Board of Directors
Nelson Securities, Inc.
Spokane, Washington

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended June 30, 2010, which were agreed to by Nelson Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Nelson Securities, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Nelson Securities, Inc.'s management is responsible for the Nelson Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared listed assessment payments in Form SIPC-7 with respective cash disbursement record entries noting no differences;
2. Compared amounts reported on the audited Form X-17A-5 for the year ended June 30, 2010, as applicable, with the amounts reported in Form SIPC-7 for the year ended June 30, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers noting no differences.

We are not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

McDunnid, Mikkelson & Sorensen, P.S.

August 24, 2010
Spokane, Washington

SIPC-7

(32-REV 6/10)

SECURITIES INVESTOR PROTECTION CORPORATION
P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300

General Assessment Reconciliation

For the fiscal year ended 6-30, 20 10
(Read carefully the instructions in your Working Copy before completing this Form)

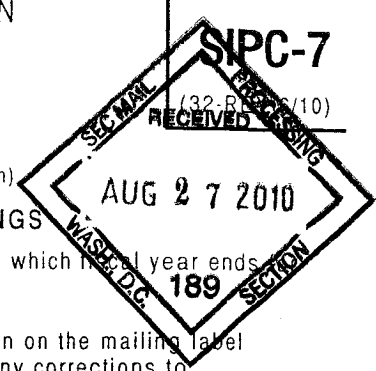
TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which purposes of the audit requirement of SEC Rule 17a-5:

030576 FINRA JUN
NELSON SECURITIES INC
601 W MAIN AVE STE 1118
SPOKANE WA 99201-0613

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.



- 2. A. General Assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 2044.00
- B. Less payment made with SIPC-6 filed (exclude interest) (942.25)
- _____ Date Paid _____
- C. Less prior overpayment applied (_____)
- D. Assessment balance due or (overpayment) 1101.75
- E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum _____
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 1101.75
- G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 1101.75
- H. Overpayment carried forward \$(_____)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Nelson Securities Inc
(Name of Corporation, Partnership or other organization)
[Signature]
(Authorized Signature)
CFO/Treas
(Title)

Dated the 11 day of July, 20 10.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER
Dates: _____ Postmarked _____ Received _____ Reviewed _____
Calculations _____ Documentation _____ Forward Copy _____
Exceptions: _____
Disposition of exceptions: _____

**DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT**

Amounts for the fiscal period
beginning 7-1, 2009
and ending 6-30, 2010
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 2,230,063

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

_____ 0

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

_____ 891,822

_____ 520,418

LongTerm Care, Life Ins, Annuity, 529 plans

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ _____

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ _____

Enter the greater of line (i) or (ii)

Total deductions

_____ 1412240

2d. SIPC Net Operating Revenues

\$ 817823

2e. General Assessment @ .0025

\$ 2044

(to page 1 but not less than \$150 minimum)