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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

AUG 26 2010

SEC FILE NUMBER  
8-37927

FACING PAGE 189

**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 07/01/09 AND ENDING 06/30/10  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SECU Brokerage Services Inc. OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
3101 Wake Forest Road

(No. and Street) (City) (State) (Zip Code)  
Raleigh North Carolina 27609  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Michael J. Lord 919-839-5084  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Clifton Gunderson, LLP

(Name - if individual, state last, first, middle name)  
3200 Beechleaf Ct., Suite 900 Raleigh NC 27604  
(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, Michael J. Lord, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SECU Brokerage Services, Inc. of June 30, 2010, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Michael J. Lord  
Signature  
CFO  
Title

Deanna D. Class  
Notary Public 8/23/10



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).

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**SECU Brokerage Services, Inc.**  
**Report Pursuant to Rule 17a-5(d)**  
**Financial Statements**  
**For the Years Ended June 30, 2010 and**  
**June 30, 2009**

**Financial Statements**

**SECU Brokerage Services, Inc.**

**June 30, 2010 and 2009**

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**Clifton  
Gunderson LLP**  
Certified Public Accountants & Consultants

**Independent Auditor's Report**

To the Board of Directors  
SECU Brokerage Services, Inc.  
Raleigh, North Carolina

We have audited the statement of financial condition of SECU Brokerage Services, 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 Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are 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.

*Clifton Gunderson LLP*

Raleigh, North Carolina  
August 23, 2010



**SECU Brokerage Services, Inc.**  
**Statements of Financial Condition**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 784,815	\$ 788,757
Deposit with clearing organization	107,380	99,375
Receivable – other	32	152
Prepaid expenses	<u>13,829</u>	<u>20,441</u>
<b>Total Current Assets</b>	<u>\$ 906,056</u>	<u>\$ 908,725</u>
 <b>Liabilities and Stockholder's Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 14,166	\$ 14,438
<b>Total Current Liabilities</b>	<u>14,166</u>	<u>14,438</u>
<b>Stockholder's Equity</b>		
Common stock, \$100 par value, 100,000 shares authorized, 1,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	840,000	840,000
Accumulated deficit	<u>(48,110)</u>	<u>(45,713)</u>
<b>Total Stockholder's Equity</b>	<u>891,890</u>	<u>894,287</u>
<b>Total Current Liabilities and Stockholder's Equity</b>	<u>\$ 906,056</u>	<u>\$ 908,725</u>

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

**SECU Brokerage Services, Inc.**  
**Statements of Operations**  
**Years Ended June 30, 2010 and June 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Service fee income	\$ 78,000	\$ 33,000
Interest income	6,811	13,184
Other income	13,558	7,642
<b>Total Revenues</b>	98,369	53,826
 <b>Expenses</b>		
Account transaction fees	19,956	5,476
Account custodial fees	14,010	11,020
Regulatory and examination expenses	19,635	20,810
Professional fees	8,400	11,050
Liability insurance expense	21,850	18,285
Online system maintenance fees	13,163	7,912
Franchise tax expense	1,557	3,676
Other expenses	2,195	3,063
<b>Total Expenses</b>	100,766	81,292
 <b>Net Loss</b>	<b>\$ (2,397)</b>	<b>\$ (27,466)</b>

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

**SECU Brokerage Services, Inc.**  
**Statements of Changes in Stockholder's Equity**  
**Years Ended June 30, 2010 and June 30, 2009**

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
<b>Balance at June 30, 2008</b>	\$ 100,000	\$ 840,000	\$ (18,247)	\$ 921,753
Net loss	-0-	-0-	(27,466)	(27,466)
<b>Balance at June 30, 2009</b>	100,000	840,000	(45,713)	894,287
Net loss	-0-	-0-	(2,397)	(2,397)
<b>Balance at June 30, 2010</b>	<u>\$ 100,000</u>	<u>\$ 840,000</u>	<u>\$ (48,110)</u>	<u>\$ 891,890</u>

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



**SECU Brokerage Services, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2010 and June 30, 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,397)	\$ (27,466)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
(Increase) decrease in assets:		
Deposit with clearing organization	(8,005)	7,185
Receivable from related party	-	38,140
Receivable – other	120	(104)
Prepaid expenses and other assets	6,612	(9,974)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(272)	6,898
Payable to related party	-	(43,651)
Total adjustments	<u>(1,545)</u>	<u>(1,506)</u>
<b>Net cash and cash equivalents used in operating activities</b>	<u>(3,942)</u>	<u>(28,972)</u>
<b>Net decrease in cash and cash equivalents</b>	(3,942)	(28,972)
<b>Cash and cash equivalents beginning of year</b>	<u>788,757</u>	<u>817,729</u>
<b>Cash and cash equivalents end of year</b>	<u>\$ 784,815</u>	<u>\$ 788,757</u>

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

**SECU Brokerage Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

SECU Brokerage Services, Inc. (Company) is incorporated in the State of North Carolina as a broker/dealer under the Securities and Exchange Act of 1934. The Company is a wholly-owned subsidiary of Credit Union Investment Services, Inc. (Parent), a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Credit Union Investment Services, Inc. is a wholly-owned subsidiary of State Employees' Credit Union, a non-profit, member owned financial cooperative. State Employees' Credit Union is a state chartered, federally insured financial cooperative which was formed in 1937 and serves 1.6 million members in North Carolina.

The Company operates as an introducing retail broker/dealer on a fully disclosed basis. The Company does not hold customer funds or securities.

*Summary of Significant Accounting Policies*

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less at acquisition, including money market accounts, to be cash equivalents.

**SECU Brokerage Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

Securities transactions are recorded on a trade date basis. Marketable securities owned by the Company are accounted for at fair value based on current published market prices.

The operations of the Company are included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated as if the Company filed on a separate basis and the amount of the current tax and/or benefit calculated is either remitted to or received from the Parent.

The Company accounts for deferred income taxes using the asset and liability method. Under this method, deferred income taxes are recognized, with certain exceptions, for temporary differences between the financial reporting basis and income tax basis of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are realized or settled. The effects of changes in tax laws or rates on deferred tax assets and liabilities are recognized in the period that includes the enactment date.

The Company records servicing fees when the services are provided and earned based on contractual terms, when amounts are determined and collectibility is reasonably assured. Other types of income are recognized in the period received.

The Company is organized as a C corporation in the State of North Carolina and is subject to a franchise tax for the privilege of doing business in this state. The franchise tax rate is \$1.50 per \$1,000.00 of capital stock, surplus and undivided profits. The minimum franchise tax is \$35.00. For the years ended June 30, 2010 and 2009, the Company's franchise tax expenses were \$1,557 and \$3,676, respectively.

*Accounting Related Matters*

In June 2006, the Financial Accounting Standards Board (FASB) issued an interpretation, "Accounting for Uncertainty in Income Taxes" to create a single model to address accounting for uncertainty in tax positions. This interpretation clarifies the accounting

**SECU Brokerage Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. This interpretation also provides guidance on de-recognition, measurement, classification, interest and penalties, disclosure and transition. This interpretation was effective for fiscal years beginning after December 15, 2006, but the effective date was deferred to fiscal years beginning after December 15, 2008 for certain nonpublic enterprises by FASB Staff Position, "The Effective Date of FASB Interpretation for Accounting for Uncertainty in Income Taxes for Certain Nonpublic Enterprises." Adoption of the new standard had no effect on the financial statements of the Company.

In May 2009, the FASB issued FASB ASC 855-10, "Subsequent Events." FASB ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financials are issued or available to be issued. Adoption of the new standard had no effect on the financial statements of the Company.

In June 2009, the FASB issued FASB ASC 105, "Generally Accepted Accounting Principles." The FASB issued FASB Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative U.S. generally accepted accounting principles (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The adoption of the ASC will have no impact on the financial statements of the Company.

**SECU Brokerage Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE 2: DEPOSIT WITH CLEARING ORGANIZATION**

The Company has deposited cash with Pershing, LLC, a BNY Mellon subsidiary, as security for its transactions with them. Interest is paid monthly on the cash balances at the overnight repurchase agreement rate. The balances at June 30, 2010 and 2009 consist of cash and cash equivalents totaling \$107,380 and \$99,375, respectively.

**NOTE 3: RELATED PARTY TRANSACTIONS**

Credit Union Investment Services, Inc (Parent) is the holding company for the Company. The Company provides brokerage services to the members of State Employees' Credit Union (SECU), which owns a 100% equity interest in the Parent.

The Company has entered into an expense sharing agreement with State Employees' Credit Union (SECU). Certain costs of operation, including office space and salary expenses, are provided to the Company by SECU at no charge. Any expenses not identified in the agreement may be paid by SECU or passed on to the Company. At both June 30, 2010 and 2009, the Company owed SECU \$0 for expenses paid on its behalf. At both June 30, 2010 and 2009 the Company was owed \$0 by both the Parent and SECU.

**NOTE 4: PREPAID EXPENSES**

The Company has included prepaid insurance and registration fees in prepaid expenses. The balances are amortized over the term of the policy or registration fee.

**SECU Brokerage Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE 5: INCOME TAX**

Deferred tax assets at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Benefit of net operating loss carryforward for income tax purposes	\$ 18,100	\$ 17,200
Allowance for realization of benefit	<u>(18,100)</u>	<u>(17,200)</u>
Deferred tax asset recognized	<u>\$ -0-</u>	<u>\$ -0-</u>

Management considers whether it is more likely than not that all or some portion of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is based on consideration of available evidence, including tax planning strategies and other factors. Because the Company and its related parent are new enterprises with no demonstrated history of earnings, management has established an allowance for the entire amount of the potential net operating loss benefit.

**NOTE 6: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on June 30, 2010 and 2009, the Company's net capital of \$859,061 and \$854,846, respectively, exceeded the minimum net capital requirement of \$50,000 by \$809,061 and \$804,846, respectively, and the Company's ratio of aggregate indebtedness (\$14,166 and \$14,438, respectively) to net capital was .02 to 1 and .02 to 1, respectively, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**SECU Brokerage Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

There were no reconciling differences between the audited Net Capital and Net Capital computed pursuant to Rule 15c3-1 as reported in the Company's June 30, 2010 and June 30, 2009 FOCUS Reports.

**NOTE 7 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through August 23, 2010 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010 but prior to August 23, 2010 that provided additional evidence about conditions that existed at June 30, 2010 have been recognized in the financial statements for the year ended June 30, 2010.

**SECU Brokerage Services, Inc.**  
**Schedule I - Computation of Net Capital**  
**At June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Stockholder's equity</b>		
Common stock	\$ 100,000	\$ 100,000
Additional paid-in capital	840,000	840,000
Accumulated deficit	<u>(48,110)</u>	<u>(45,713)</u>
<b>Total stockholder's equity</b>	891,890	894,287
Less: Non allowable assets:		
Receivable from related party	-0-	-0-
Prepaid expenses	<u>(13,829)</u>	<u>(20,441)</u>
Total	<u>(13,829)</u>	<u>(20,441)</u>
<b>Net capital before fidelity bond deductible</b>	878,061	873,846
Less: Fidelity bond deductible	<u>(19,000)</u>	<u>(19,000)</u>
<b>Net Capital</b>	859,061	854,846
<b>Computation of net capital requirements</b>		
Minimum net capital requirements:		
6 2/3 percent of net aggregate indebtedness	944	962
Minimum dollar net capital required	<u>50,000</u>	<u>50,000</u>
Net capital required (greater of above)	<u>50,000</u>	<u>50,000</u>
<b>Excess net capital</b>	<u>\$ 809,061</u>	<u>\$ 804,846</u>
Percentage of aggregate indebtedness to net capital	0.02 : 1	0.02 : 1

Note: There are no differences between the net capital calculation under SEC Rule 15c3-1 shown above and the June 30, 2010 and June 30, 2009 unaudited FOCUS report Part IIA.



**SECU Brokerage Services, Inc.**  
**Schedule II – Computation for Determination of Reserve Requirements**  
**Pursuant to Rule 15c3-3**

A computation of reserve requirements is not applicable to SECU Brokerage Services, Inc. as the Company qualifies for exemption under Rule 15c3-3(k)(2)(ii). This rule exempts broker/dealers who clear all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer.

**SECU Brokerage Services, Inc.**  
**Schedule III – Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**

Information relating to possession or control requirements is not applicable to SECU Brokerage Services, Inc. as the Company qualifies for an exemption under Rule 15c3-3 (k)(2)(ii). This rule exempts broker/dealers who clear all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer.

**SECU Brokerage Services, Inc.  
Report of Independent Accountants  
on Internal Control  
as Required by SEC Rule 17a-5  
For the Years Ended June 30, 2010 and 2009**



**Clifton  
Gunderson LLP**

Certified Public Accountants & Consultants

**Report of Independent Accountants on  
Internal Control as Required by SEC Rule 17a-5**

To the Board of Directors  
SECU Brokerage Services, Inc.  
Raleigh, North Carolina

In planning and performing our audit of the financial statements of SECU Brokerage Services, Inc. (the Company) as of and for the year ended June 30, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) and (2) 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 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 the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation 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 deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at June 30, 2010, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Raleigh, North Carolina  
August 23, 2010