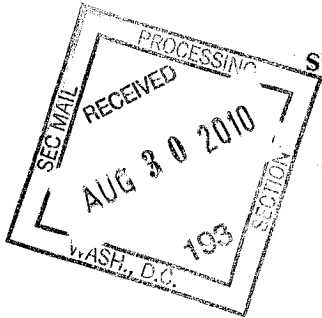


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SECURITIES COMMISSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response .....	12.00

SEC FILE NUMBER
8-40712

**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 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: Pacific Financial Associates, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
30240 Rancho Viejo Road, Suite A  
(No. and Street)  
San Juan Capistrano CA 92675-1515  
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Charles Mann 949-493-3114  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Elizabeth Tractenberg, CPA  
(Name - if individual, state last, first, middle name)  
3832 Shannon Road Los Angeles CA 90027  
(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)

SEC 1410 (06-02) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

PW

OATH OR AFFIRMATION

I, Charles Mann, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pacific Financial Associates, Inc., as

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:

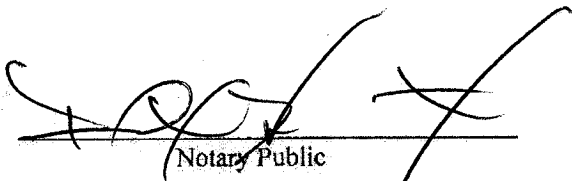
None

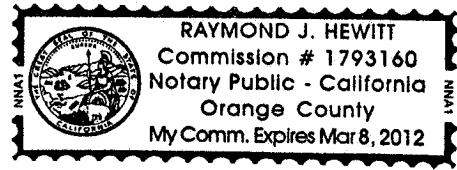


Signature

PRESIDENT

Title

  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition.
- (l) An Oath or Affirmation.
- (m) A copy of the STPC 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).

**Pacific Financial Associates, Inc.**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended June 30, 2010**

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**Elizabeth Tractenberg, CPA**

3832 SHANNON ROAD  
LOS ANGELES, CALIFORNIA 90027  
323/669-0545 – Fax 323/669-0575

Independent Auditor's Report


Board of Directors  
Pacific Financial Associates, Inc.  
San Juan Capistrano, California

I have audited the accompanying statement of financial condition of Pacific Financial Associates, Inc. ("the Company"), as June 30, 2010 and the related statements of operations, cash flows, and changes in stockholder's equity 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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of Pacific Financial Associates, Inc. as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My 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 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 and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit 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.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
August 9, 2010

Pacific Financial Associates, Inc.  
Statement of Financial Condition  
June 30, 2010

**Assets**

Cash and cash equivalents		\$	62,618
Clearing broker deposit			1,000
Commissions receivable			48,330
Prepaid expenses			10,233
Property and equipment			
Equipment	\$		78,940
Furniture and fixtures			18,399
Leasehold improvements			40,000
Accumulated depreciation			<u>(121,806)</u>
Property and equipment - net			<u>15,533</u>
<b>Total assets</b>			<u><u>\$ 137,714</u></u>

**Liabilities and Stockholder's Equity**

Accounts payable and accrued expenses		\$	164
Commissions payable			43,497
Income taxes payable			7,357
Deferred tax liability			<u>1,341</u>
			52,359
Liabilities subordinated to claims of general creditors			<u>30,000</u>
<b>Total liabilities</b>			<u>82,359</u>
<b>Stockholder's equity</b>			
Common stock (\$0 par value, 100,000 shares authorized, 51,000 shares issued and outstanding)			2,000
Paid-in capital			0
Retained earnings			<u>53,355</u>
<b>Total stockholder's equity</b>			<u>55,355</u>
<b>Total liabilities and stockholder's equity</b>			<u><u>\$ 137,714</u></u>

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

Pacific Financial Associates, Inc.  
Statement of Operations  
For the year ended June 30, 2010

**Revenues**

Commissions income	\$ 724,651
Expense reimbursement	6,168
Interest	697
Gain or loss on disposition of assets	<u>(156)</u>
 <b>Total revenues</b>	 <u>731,360</u>

**Expenses**

Commissions expense	464,349
Broker dealer expense	2,191
Depreciation	2,195
Insurance	6,319
Interest expense	3,131
Office expense	2,863
Payroll taxes	8,482
Pension	3,211
Postage	1,374
Professional services	4,756
Regulatory fees	4,850
Rent	84,000
Repairs and maintenance	6,000
Salaries, wages and related expenses	107,028
Telephone	1,912
Travel and entertainment	2,200
Utilities	2,538
All other expenses and adjustments	<u>3,166</u>
 <b>Total expenses</b>	 <u>710,565</u>
 Net income before income tax provisions	 20,795
 Income tax provision	 <u>4,736</u>
 Net income	 <u><u>\$ 16,059</u></u>

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

Pacific Financial Associates, Inc.  
Statement of Changes in Stockholder's Equity  
For the year ended June 30, 2010

	Common Stock Shares	Common Stock	Paid-In Capital	Retained Earnings	Total
Balance, June 30, 2009	51,000	\$ 2,000	\$ 0	\$ 37,296	\$ 39,296
Net Income				16,059	16,059
Balance, June 30, 2010	51,000	\$ 2,000	\$ 0	\$ 53,355	\$ 55,355

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



Pacific Financial Associates, Inc.  
Statement of Cash Flows  
For the year ended June 30, 2010

**Cash flows from operating activities:**

Net income	\$ 16,059
Add back depreciation	2,195
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Clearing broker deposit	(23)
Commissions receivable	13,303
Prepaid expenses	(10,233)
(Decrease) increase in:	
Accounts payable and accrued expenses	(303)
Income taxes payable	3,790
Deferred tax liability	145
Loans payable – inventory	<u>(12,358)</u>

Net cash and cash equivalents provided by operating activities 12,575

**Cash flows from investing activities:**

Purchase of equipment	(779)
Sale of securities	<u>6,393</u>

Net cash and cash equivalents from investing activities 5,614

**Cash flows from financing activities:**

Net increase in cash and cash equivalents	18,189
Cash and cash equivalents at beginning of year	<u>44,429</u>
Cash and cash equivalents at end of year	<u><u>\$ 62,618</u></u>

**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$ 3,131
Cash paid for taxes	\$ 800

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

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010**

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

*General*

Pacific Financial Associates, Inc. (the “Company”) was organized in the state of California on September 24, 1984. The Company is a registered broker/dealer under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Agency (FINRA) and the Securities Investment Protection Corporation (“SIPC”).

The Company provides investment-banking services in raising capital or acquiring or divesting operations to companies located in the United States of America.

*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, the 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.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market fund accounts as cash equivalents.

Current income taxes are provided for estimated taxes payable or refundable based on tax returns filed. 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.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards N. 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 of benefits are recognized as a result of the changes in the assets and liabilities is based on provisions of enacted federal and state tax laws.

Property and equipment are carried at cost. Depreciation is calculated on the accelerated methods over estimated economic lives of 5 to 7 years. Leasehold improvements are computed on a straight line method over 31.5 years.

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2: INCOME TAXES**

The components of the income tax provision are as follows:

	<u><b>Current</b></u>	<u><b>Deferred</b></u>	<u><b>Total</b></u>
State tax expense (benefit)	\$ 1,447	\$ 413	\$ 1,860
Federal tax expense (benefit)	<u>2,238</u>	<u>638</u>	<u>2,876</u>
Total income tax expense (benefit)	<u>\$ 3,685</u>	<u>\$ 1,051</u>	<u>\$ 4,736</u>

**Note 3: NOTE PAYABLE – STOCKHOLDER**

A \$30,000 loan from stockholder at 10%, per annum, with principal is due February 28, 2015. The entire \$30,000 has been designated and approved by FINRA as a subordinated loan.

**Note 4: RELATED PARTY TRANSACTIONS**

The Company has a long term lease agreement with the sole stockholder. See Note 6.

**Note 5: SALARY DEFERRAL PLAN**

The Company has a salary deferral plan for the benefit of its employees called a SIMPLE IRA plan. Under a SIMPLE IRA plan, the employer makes contributions to traditional IRAs (SIMPLE IRAs) set up for each of its eligible employees. Each employee is always 100% vested in (or has ownership of) all money in his or her SIMPLE IRA. During the year ended June 30, 2010, the Company contributed \$3,211 or 3% of salary.

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 6 – COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company rents facilities under a non-cancellable triple net agreement expiring February 28, 2014 from a company owned by the sole stockholder of Pacific Financial Associates, Inc. The future minimum annual aggregate lease payments required under operating leases that have initial or remaining non cancelable lease terms in excess of one year are as follow:

2011	\$ 84,000
2012	84,000
2013	84,000
2014	<u>56,000</u>
	<u>\$ 308,000</u>

Rental expense for the year was \$84,000 for the fiscal year ended June 30, 2010.

*Contingencies*

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission (“FDIC”), up to \$250,000, or the Securities Investor Protection Corporation (“SIPC”), up to \$500,000.

**Note 7 – OFF BALANCE SHEET RISK**

The Company maintains a bank account at a financial institution with a balance that may exceed \$250,000 from time to time, the statutory limit of federal depository insurance. Should this financial institution fail, the Company could possibly incur a material loss.

**Note 8: 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 to1. Net capital and aggregate indebtedness change day to day, but on June 30, 2010, the Company had a net capital of \$21,451, which was \$16,451 in excess of its required net capital of \$5,000; and the Company’s ratio of aggregate indebtedness (\$52,359) to net capital was 2.44 to1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Pacific Financial Associates, Inc.  
Schedule I - Computation of Net Capital Requirements  
Pursuant to Rule 15c3-1  
As of June 30, 2010

**Computation of net capital**

Total stockholder's equity	\$	55,355	
Plus: Subordinated debt			30,000
Less: Non Allowable assets			
Commissions receivable net of commissions payable	\$	(48,330)	
Equipment net		(15,533)	
Total adjustments			<u>(63,863)</u>
<b>Net capital before haircuts</b>			21,492
Less: Haircuts and undue concentration		(41)	
			<u>(41)</u>
<b>Net capital</b>	\$		21,451

**Computation of net capital requirements**

Minimum net capital requirements			
6-2/3% of net aggregate indebtedness	\$	3,491	
Minimum dollar net capital required	\$	5,000	
Net capital required (greater of above)			<u>5,000</u>
<b>Excess net capital</b>			<u>16,451</u>
Ratio of aggregate indebtedness to net capital		2.44	: 1

Computation of aggregate indebtedness:

Total liabilities	\$	52,359
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The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

Net capital per Company's computation	\$	20,372
Audit adjustments:		
Other audit adjustments		<u>1,079</u>
Net capital per audit	\$	<u>21,451</u>

*See independent auditor's report.*

**Pacific Financial Associates, Inc.**  
**Schedule II – Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of June 30, 2010**

A computation of reserve requirements is not applicable to Pacific Financial Associates, Inc. as the Pacific Financial Associates, Inc. qualifies for exemption under Rule 15c3-3(k) (2) (ii)

*See independent auditor's report.*

**Pacific Financial Associates, Inc.**  
**Schedule III – Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of June 30, 2010**

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

*See independent auditor's report.*

**Elizabeth Tractenberg, CPA**  
3832 SHANNON ROAD  
LOS ANGELES, CALIFORNIA 90027  
323/669-0545 – Fax 323/669-0575

Report of Independent Accountant  
on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors  
Pacific Financial Associates, Inc.  
San Juan Capistrano, California

In planning and performing my audit of the financial statements and supplemental schedules of Pacific Financial Associates, Inc. (the Company) for the year ended June 30, 2010, I considered its internal control, including control activities 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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I 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-5(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, I 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,
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 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Board of Directors  
Pacific Financial Associates, Inc.  
San Juan Capistrano, California

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.

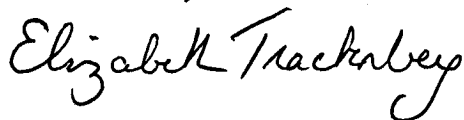
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control 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.

My 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. I did not identify any deficiencies in internal control and control activities for safeguarding securities that I consider to be material weaknesses, 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 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 my study, I believe that the Company's practices and procedures were adequate on 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, FINRA, 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 for anyone other than these specified parties.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
August 9, 2010

# Elizabeth Tractenberg, CPA

3832 SHANNON ROAD  
LOS ANGELES, CALIFORNIA 90027  
323/669-0545 – Fax 323/669-0575

## Part III

### SIPC Supplemental Report Pursuant to SEC Rule 17a-5(e)(4)

Board of Directors  
Pacific Financial Associates, Inc.  
San Juan Capistrano, California

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, I have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended June 30, 2010, which were agreed to by Pacific Financial Associates, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC solely to assist you and the other specified parties in evaluating Pacific Financial Associates, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T).

Pacific Financial Associates, Inc.'s management is responsible for the Pacific Financial Associates, 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, I 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 I performed and my findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement records entries to the check register and compared to the copy of the cancelled check dated January 14, 2010 noting no differences.
2. Reviewed the completed form SIPC-7 - General Assessment Reconciliation follows:
  - a. Compared the Focus Line 12/Part IIA line 9 per the SIPC 7 report to the total of the quarterly Focus Reports Focus Line 12/Part IIA line 9 filed during the year ending June 30, 2010 noting no differences.
  - b. Compared Line 2b (7) per the SIPC 7 report to the Net loss from securities in investment accounts to the Audit Report noting no differences.
  - c. Compared Line 2c (8) Deductions – other revenue not related either directly or indirectly to the securities business to the Audit Report noting no differences.
  - d. Reviewed computation line 2e General Assessment noting no differences.

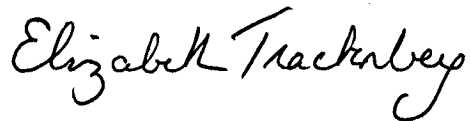
Board of Directors  
Pacific Financial Associates, Inc.  
San Juan Capistrano, California

SIPC Supplemental Report page 2

3. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers as noted in section 2 above noting no differences.
4. Noted that there was no amount due at June 30, 2010.

I was not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my 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.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
August 27, 2010