

AMENDMENT

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



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

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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 October 1, 2007 AND ENDING September 30, 2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Equibond, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1801 Century Park East Suite 1470

(No and Street)

Los Angeles

California

90067

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Jay Lustig (310) 260-6000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants

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

9221 Corbin Avenue, Suite 170

Northridge

California

91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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)

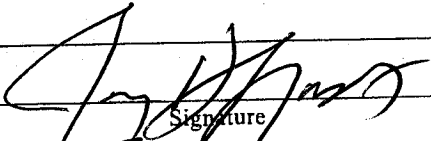
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OATH OR AFFIRMATION

I, Jay Lustig, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equibond, Inc. of September 30, 2008, 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:

State of _____
County of _____

Subscribed and sworn (or affirmed) to before me this ____ day of _____ by _____ personally known to me or proved to me on the basis of satisfactory evidence to be


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 Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

CALIFORNIA JURAT WITH AFFIANT STATEMENT

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this

20th day of October, 2010, by
Date Month Year

(1) Jay H. dustig
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (,)

(and

(2) _____
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me

Signature _____

Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Further Description of Any Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

RIGHT THUMBPRINT OF SIGNER #1
 Top of thumb here

RIGHT THUMBPRINT OF SIGNER #2
 Top of thumb here

Independent Auditor's Report

Board of Directors
Equibond, Inc.:

We have audited the accompanying statement of financial condition of Equibond, Inc. (the Company) as of September 30, 2008, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. 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.

As explained in Note 7 to the financial statements, subsequent to the issuance of the financial statements, the Company became aware that the net inventory and investment gains (losses) incorrectly combined riskless and proprietary gains (losses), and net inventory and investment gains (losses) were improperly classified as commissions. The corrected presentation has no material effect on the Company's results from operations. In our original report dated November 26, 2008, we expressed an unqualified opinion on the financial statements, and our opinion on these revised financial statements, as expressed herein, remains unqualified.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equibond, Inc. as of September 30, 2008, 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.

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 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 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.



Breard & Associates, Inc.
Certified Public Accountants
Northridge, California

November 26, 2008, except for the Statement of Operations and Notes 2 and 7, for which the date is
November 11, 2010.

Equibond, Inc.
Statement of Financial Condition
September 30, 2008

Assets

Cash and cash equivalents	\$ 105,332
Receivable from clearing organization	64,426
Marketable securities, at market	158,559
Receivable - other	30,000
Furniture & equipment, net	29,592
Deposits	6,276
Deferred tax assets	42,376
Other assets	<u>600</u>
Total assets	<u>\$ 437,161</u>

Liabilities & Stockholder's Equity

Liabilities

Commissions payable	\$ 25,821
Payable to clearing organization	7,459
Salaries and bonuses payable	6,898
Deferred taxes payable	<u>3,794</u>

Total liabilities 43,972

Stockholder's equity

Common stock, 100,000 shares authorized, no par value, 5,000 shares issued and outstanding	50,000
Additional paid-in capital	647,000
Accumulated deficit	<u>(303,811)</u>

Total stockholder's equity 393,189

Total liabilities & stockholder's equity **\$ 437,161**

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

Equibond, Inc.
Statement of Operations
For the year ended September 30, 2008

Revenues

Commissions	\$ 13,595
Net inventory and investment gains (losses) - proprietary	794,109
Net inventory and investment gains (losses) - riskless	1,464,723
Interest	55,710
Other income	<u>8,170</u>
Total revenues	2,336,307

Expenses

Employee compensation and benefits	1,120,074
Commissions and floor brokerage	868,576
Communications	113,066
Occupancy and equipment rental	81,798
Interest	5,164
Taxes, other than income taxes	14,262
Other operating expenses	<u>161,490</u>
Total expenses	2,364,430
Net income (loss) before income tax provision	(28,123)
Income tax provision	<u>12,320</u>
Net income (loss)	<u>\$ (40,443)</u>

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

Equibond, Inc.
Statement of Changes in Stockholder's Equity
For the year ended September 30, 2008

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at September 30, 2007	\$ 50,000	\$ 617,000	\$ (263,368)	\$ 403,632
Additional investment	—	30,000	—	30,000
Net income (loss)	—	—	(40,443)	(40,443)
Balance at September 30, 2008	<u>\$ 50,000</u>	<u>\$ 647,000</u>	<u>\$ (303,811)</u>	<u>\$ 393,189</u>

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

Equibond, Inc.
Statement of Cash Flows
For the year ended September 30, 2008

Cash flow from operating activities:

Net income (loss)		\$ (40,443)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	\$ 18,816	
(Increase) decrease in:		
Receivable from clearing organization	63,145	
Marketable securities, at market	(43,795)	
Receivable - other	(17,000)	
Deferred tax assets	14,574	
(Decrease) increase in:		
Commissions payable	(6,675)	
Payable to clearing organization	3,321	
Salaries and bonuses payable	(164)	
Deferred taxes payable	<u>(3,138)</u>	
Total adjustments		<u>29,084</u>
Net cash and cash equivalents provided by (used in) operating activities		(11,359)

Cash flows from investing activities:

Purchase of equipment	<u>(4,661)</u>	
Net cash and cash equivalents provided by (used in) investing activities		(4,661)

Cash flows from financing activities:

Additional investment	<u>30,000</u>	
Net cash and cash equivalents provided by (used in) financial activities		<u>30,000</u>

Net increase (decrease) in cash and cash equivalents 13,980

Cash and cash equivalents at the beginning of the year 91,352

Cash and cash equivalents at the end of the year \$ 105,332

Supplemental disclosure of cash flow information:

Cash paid during the period ended September 30, 2008

Income taxes	\$ 800
Interest	\$ 5,164

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

Equibond, Inc.
Notes to Financial Statements
September 30, 2008

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Equibond, Inc. (the "Company") was incorporated in the State of California in September 1994. In April, 1995, the Company registered as a broker dealer in securities with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB"), and the Securities Investors Protection Corporation ("SIPC").

The Company trades on a fully disclosed basis whereby the execution and clearance of trades are handled by an outside clearing firm.

The Company trades equities and fixed income products executed on an exchange or over the counter. The firm does not hold customer funds and/or securities. The Company has over 280 clients.

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 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.

Receivable from clearing organization is stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial

Securities transactions are recorded on a trade date basis. Marketable securities are valued at month end market value. The resulting difference between cost and market value is included in net inventory and investment gains. Investments, not readily marketable are valued at cost.

Furniture & equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture & equipment are depreciated over their estimated useful lives of three (3) to ten (10) years by the

Equibond, Inc.
Notes to Financial Statements
September 30, 2008

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

straight-line method.

Deferred income taxes are provided under the Statement of Financial Accounting Standards No. 109. This standard provides a balance sheet approach to income tax accounting. The principal difference between the financial reporting and tax basis of the assets and liabilities is the rapid depreciation write off of fixed assets for taxes, and the carryforward of net operating losses to offset future income.

Note 2: MARKETABLE SECURITIES, AT MARKET

The Company purchases marketable securities for both long-term investment and trading purposes. The Company records its marketable securities as trading securities, as defined by FASB 115, *Accounting For Certain Investments in Debt and Equity Securities*. Accordingly, unrealized gains (losses) on investments are included in the Statement of Operations.

Marketable securities consist of the following, at quoted market values:

Equities	\$ 51,621
U.S. Government obligations	<u>106,938</u>
Total	<u>\$ 158,559</u>

The accounting for the market-to-market on proprietary trading is included in the Statement of Operations as net inventory and investment gains of \$794,109.

Note 3: RECEIVABLE - OTHER

Receivable - other consists of advances made to employees. These advances are unsecured, non-interest bearing and due on demand.

Equibond, Inc.
Notes to Financial Statements
September 30, 2008

Note 4: FURNITURE & EQUIPMENT, NET

Furniture & equipment is stated at cost and summarized by major classification as follows:

		<u>Depreciable Life Years</u>
Furniture & fixtures	\$ 102,612	7-10
Machinery & equipment	<u>173,683</u>	3-5
	276,295	
Less: Accumulated depreciation	<u>(246,703)</u>	
Furniture & equipment, net	<u>\$ 29,592</u>	

Depreciation expense for the year ended September 30, 2008, was \$18,816.

Note 5: INCOME TAXES

The components of the provision for income taxes are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
States tax expense (benefit)	\$ 800	\$ 17,788	\$ 18,588
Federal tax expense (benefit)	<u>—</u>	<u>(6,268)</u>	<u>(6,268)</u>
Total tax expense (benefit)	<u>\$ 800</u>	<u>\$ 11,520</u>	<u>\$ 12,320</u>

The Company has available at September 30, 2008, certain Federal and State Net Operating Losses (NOL's), which can be carried forward to offset future taxable income. The Federal NOL's expire in 20 years and the states NOL's expire in three (3) to five (5) years. The Federal NOL's produce a deferred tax asset of approximately \$24,978 and the States NOL's produce a deferred tax asset of approximately \$17,398.

Note 6: COMMITMENTS AND CONTINGENCIES

Commitments

The Company entered into a lease agreement for office space under a non-cancelable lease which commenced March 10, 2005, and expires March 10, 2010. This lease was amended and extended to April 30, 2010. This lease contains provisions for rent escalation based on increases in certain costs incurred by the lessor.

Equibond, Inc.
Notes to Financial Statements
September 30, 2008

Note 6: COMMITMENTS AND CONTINGENCIES
(Continued)

Future minimum lease payments under the lease are as follows:

<u>September 30,</u>	<u>Amount</u>
2009	\$ 74,038
2010	52,300
2011 & thereafter	<u>—</u>
Total	<u>\$ 126,338</u>

Rent expense for the year ended September 30, 2008, was \$73,356.

Contingencies

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission (“FDIC”), up to \$100,000, or the Securities Investor Protection Corporation (“SIPC”), up to \$500,000. Effective October 3, 2008, the FDIC insurance limit was increased to \$250,000. This new limit is applicable through December 31, 2009.

At times during the year ended September 30, 2008, cash balances held in financial institutions were in excess of the FDIC and SIPC’s insured limits. The Company has not experienced any losses in these accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

The Company has a rent deferral amount of \$8,365, which is due at the end of the lease term. However, this amount will be due immediately if the Company defaults on the terms of the lease agreement.

Note 7: CHANGE IN PRESENTATION OF STATEMENT OF OPERATIONS

The accompanying Statement of Operations for the year ended September 30, 2008 has been restated to comply with Rule 9-04 of Securities Exchange Commission Regulation S-X, whereby the presentation of net inventory and investment gains (losses) is to be divided between proprietary and riskless transactions. These gains (losses) were also included in commissions on the original Statement of Operations but have been shown separately on the accompanying statements. There is no effect on net income (loss) due to this change in presentation.

Equibond, Inc.
Notes to Financial Statements
September 30, 2008

Note 8: RELATED PARTY TRANSACTIONS

The Company's sole shareholder owns 100% of JHL Holdings Company. In addition, the Company's sole shareholder and JHL Holdings Company are the only two members of Equibond, LLC. Prophecy Partners, LP is a hedge fund managed by Equibond, LLC. Both the Company's sole shareholder and Equibond, LLC are limited partners of Prophecy Partners, LP. Prophecy Partners, LP has a customer account with the Company. For the year ended September 30, 2008, the Company earned \$312,114 in commissions from trades executed for the Prophecy Partners, LP account .

Note 9: CONCENTRATION OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in whose 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 upon the creditworthiness of the counterparty or issuer of the instrument. To mitigate the risk of loss, the Company maintains its accounts with credit worthy customers and counterparties.

Note 10: RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140." The statement allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) as long as the entire instrument is valued on a fair value basis. SFAS 155 also resolves and clarifies other specific issues contained in SFAS 133 and 140. The statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after December 15, 2006. The adoption of SFAS 155 has not had a material impact upon the Company's financial statements.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued Financial Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109." which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position if it is more likely than

Equibond, Inc.
Notes to Financial Statements
September 30, 2008

Note 10: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of this pronouncement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date.

SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

Note 11: 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 September 30, 2008, the Company had net capital of \$273,938, which was \$173,938 in excess of its required net capital of \$100,000; and the Company's ratio of aggregate indebtedness (\$40,178) to net capital was 0.15 to 1, which is less than the 15 to 1 maximum ratio allowed.

Note 12: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$2,243 difference between the computation of net capital under net capital SEC. Rule 15c3-1 and the corresponding unaudited Focus part IIA.

Net capital per unaudited schedule		\$ 271,695
Adjustments:		
Accumulated deficit	\$ (33,270)	
Non-allowable assets	33,270	
Haircuts on US T-note	1,069	
Undue concentration	<u>1,174</u>	
Total adjustments		<u>2,243</u>
Net capital per audited statements		<u>\$ 273,938</u>

Equibond, Inc.
Schedule I-Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of September 30, 2008

Computation of net capital

Stockholder's equity

Common stock	\$ 50,000	
Additional paid-in capital	647,000	
Accumulated deficit	<u>(303,811)</u>	
Total stockholder's equity		\$ 393,189

Less: Non-allowable assets

Receivable - other	(30,000)	
Furniture and equipment, net	(29,592)	
Deposits	(6,276)	
Deferred income tax assets	(42,376)	
Other assets	<u>(600)</u>	
Total non-allowable assets		<u>(108,844)</u>

Net capital before haircuts **284,345**

Less: Haircuts on securities

Haircut on marketable securities	<u>(10,407)</u>	
Total haircuts		<u>(10,407)</u>

Net capital **273,938**

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 2,679	
Minimum dollar net capital required	\$ 100,000	
Net capital required (greater of above)		<u>(100,000)</u>

Excess net capital **\$ 173,938**

Ratio of aggregate indebtedness to net capital 0.15: 1

There is a \$2,243 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated September 30, 2008. See Note 12.

See independent auditor's report.

Equibond, Inc.
Schedule II-Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of September 30, 2008

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

See independent auditor's report.

Equibond, Inc.
Schedule III-Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of September 30, 2008

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

See independent auditor's report.

Equibond, Inc.

Supplementary Accountant's Report

on Internal Accounting Control

Report Pursuant to 17a-5

For the Year Ended September 30, 2008

Board of Directors
Equibond, Inc.:

In planning and performing our audit of the financial statements of Equibond, Inc. (the Company), as of and for the year ended September 30, 2008, 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) 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 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 and 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 on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2008, to meet the SEC's objectives.

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



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
November 26, 2008, except for the Statement of Operations and Notes 2 and 8, for which the date is
November 11, 2010.