

SECURITIES AND EXCHANGE COMMISSION

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DIVISION OF MARKET REGULATION

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

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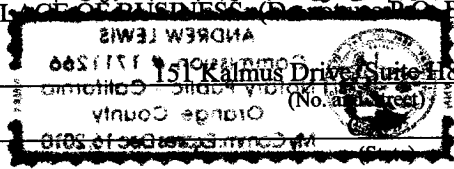
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2009 AND ENDING December 31, 2009  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Great Pacific Securities

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Or Box No.) Great Pacific Fixed Income Securities, Inc.



Costa Mesa  
(City)

92626  
(Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Robert W. Yaap (714) 619-3000  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Brian W. Anson, CPA

18425 Burbank, Suite 606, Tarzana California 91356  
(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)

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.

OATH OR AFFIRMATION

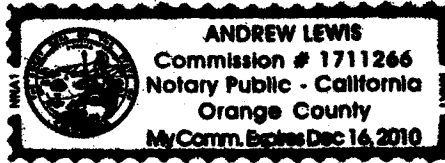
I, Robert W. Yaap, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Great Pacific Securities, as of December 31, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

Robert W. Yaap Signature Robert W. Yaap

C.E.O. Title

[Signature] 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 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).

**BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

**Report of Independent Registered Public Accountant**

Board of Directors  
Great Pacific Securities  
Costa Mesa, California

I have audited the accompanying statement of financial condition of Great Pacific Securities as of December 31, 2009 and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Pacific Securities as of December 31, 2009 and the results of its operations and 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 on Schedule I-IV is presented for purposes of additional analysis and is not required as part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subject to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole.

This opinion is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, 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.



Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 16, 2010

# GREAT PACIFIC SECURITIES

## Statement of Financial Condition December 31, 2009

### ASSETS

Cash and cash equivalents	\$ 166,119
Accounts receivable	115,288
Clearing firm deposit	225,010
Investment	327,208
Other assets	35,148
Total assets	<u>\$ 868,773</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### LIABILITIES:

Accounts payable and accrued expenses	95,993
Accrued commissions and salaries	329,244
Accrued payroll taxes	139,854
Total liabilities	<u>\$ 565,091</u>

#### STOCKHOLDERS' EQUITY:

Common stock, 1,000,000 shares authorized, no par value, 180,000 shares issued and outstanding at stated value of \$.02 per share	3,800
Additional paid in capital	227,868
Retained earnings	72,014
Total stockholders' equity	<u>303,682</u>
Total liabilities and stockholders' equity	<u>\$ 868,773</u>

# GREAT PACIFIC SECURITIES

## Statement of Income For the year ended December 31, 2009

### REVENUES:

Principal transactions	\$ 4,291,153
Commissions	933,982
Options	9,934
Interest income	13,503
Other income	32
Total income	<u>5,248,604</u>

### EXPENSES:

Clearing charges	198,899
Commissions	3,249,072
Communications	22,252
Employee compensation and benefits	711,755
Insurance	116,332
Legal and professional fees	47,300
Occupancy	120,000
Pension plan	342,619
Quotation	131,528
Travel and entertainment	15,047
Operating expenses	291,749
Total expenses	<u>5,246,553</u>

NET INCOME BEFORE INCOME TAX PROVISION 2,051

### INCOME TAX PROVISION

State income tax expense 800

NET INCOME \$ 1,251

GREAT PACIFIC SECURITIES

Statement of Changes in Stockholders' Equity  
For the year ended December 31, 2009

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Beginning balance January 1, 2009	\$ 3,800	\$ 227,868	\$ 370,763	602,431
Capital withdrawals			(300,000)	(300,000)
Net income			1,251	1,251
Ending balance December 31, 2009	\$3,800	\$227,868	\$72,014	\$303,682

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

# GREAT PACIFIC SECURITIES

## Statement of Cash Flows For the year ended December 31, 2009

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income		\$ 1,251
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable		248,322
Clearing firm deposit		(25,010)
Investment		(751)
Other assets		(306)
Increase (decrease) in:		
Accounts payable and accrued expenses		(64,128)
Accrued commissions and salaries		6,384
Accrued payroll taxes		19,200
Total adjustments		183,711
Net cash provided by operating activities		184,962

### CASH FLOWS FROM FROM FINANCING ACTIVITIES

Capital withdrawals		(300,000)
Net cash used in financing activities		(300,000)

DECREASE IN CASH		(115,038)
Cash at beginning of year		281,157
Cash at end of period		\$166,119

### Supplemental cash flow disclosures

Interest		\$ -
Income taxes		\$ 800

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

# GREAT PACIFIC SECURITIES

## Notes to Financial Statements December 31, 2009

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

#### General

Great Pacific Fixed Income Securities, Inc. (the "Company") dba Great Pacific Securities was formed in 1990 under the laws of State of California.

The firm received its independent broker dealer registration on April 8, 1993 and is currently registered in nineteen (19) states as well as with the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC), and the Municipal Security Rulemaking Board (MSRB).

The Company conducts business as an introducing and intermediary broker dealer. The Company deals on a principal basis in the trading of exempt government securities and accepts trades in equities, corporate fixed income and municipal issues. Trades are cleared on a fully disclosed basis through National Financial Services, LLC.

The Company has been certified by the State of California as a Service Disabled Veteran Business Enterprise (DVBE). California statutes require California state agencies and utilities to utilize DVBE's in their procurement process. The Company also qualifies as a Service Disabled Veteran Owned Small Business (SDVOSB) which requires all Federal agencies to utilize SDVOSB's in their procurements.

#### Summary of significant accounting policies

Trades are recorded on a trade date basis with related commissions income and expenses also recorded on a trade date basis.

Property and equipment purchases over \$1,500 individually are capitalized. Depreciation is calculated using double declining balance method over a useful life of five (5) and seven (7) years.

Cash equivalents include highly liquid investments purchased with an original maturity of three months or less. The Company maintains its cash in bank deposit accounts which at times, may exceed uninsured limits. The Company has not experienced any losses in such accounts.

Securities owned are valued at market. The resulting differences between cost and market is included in income.

The Company and its stockholders have elected S Corporation status under the federal and state tax laws. As a result, the Company is not liable for corporate income taxes and a portion of certain state income taxes. Instead, the stockholders are taxed on the Company's taxable income in their individual income tax returns.



## GREAT PACIFIC SECURITIES

### Notes to Financial Statements December 31, 2009

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

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

The firm did not have any adjustments that would have made comprehensive income different from net income.

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair values. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management believes that the adoption of SFAS No. 157 will not have a material impact on the financial results of the Company.

#### Comprehensive Income:

The Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires that an enterprise report, by major components and as a single total, the changes in equity. There were no other comprehensive income items for the year ended December 31, 2009.

#### Concentrations of Credit Risk

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.

Management estimates that 40% of the revenues were generated in the state of California.

#### Note 2: NET CAPITAL REQUIREMENTS

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and the maintenance of a maximum ratio of aggregate indebtedness to net capital. Net capital and aggregate indebtedness change day by day, but by December 31, 2009 the company's net capital of \$261,566 exceeded the minimum net capital requirement by \$161,566; and the Company's ratio of aggregate indebtedness (\$565,091) to net capital was 2.16 to 1, which is less than 15:1 ceiling.

# GREAT PACIFIC SECURITIES

## Notes to Financial Statements December 31, 2009

### Note 3: LEASE OBLIGATIONS

The Company entered into a ten year operating lease for office facilities beginning April 15, 2008. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2010	120,000
2011	120,000
2012	120,000
2013	120,000
2014	120,000
2015	120,000
2016	120,000
2017	30,000

### Note 4: RETIREMENT PLAN

The Company has sponsored a Simplified Employee Pension Plan covering substantially all of its employees. Contributions to the plan are made exclusively by the Company. In 2009, the Company's pension expense totaled \$342,619.

# GREAT PACIFIC SECURITIES

## Statement of Net Capital Schedule I December 31, 2009

	Focus 12/2009	Audit 12/2009	Change
Stockholders' equity, December 31, 2009	\$303,683	\$303,682	\$ 1
Subtract - Non allowable assets:			
Other assets	35,148	35,148	-
Tentative net capital	268,535	268,534	1
Haircuts:	6,968	6,968	-
NET CAPITAL	261,567	261,566	1
Minimum net capital	(100,000)	(100,000)	-
Excess net capital	161,567	161,566	1
Aggregate indebtedness	690,466	565,091	125,375
Ratio of aggregate indebtedness to net capital	2.64%	2.16%	

The differences were caused by the payment of a commission payable at December 31, 2009, not previously recorded.

# GREAT PACIFIC SECURITIES

December 31, 2009

## Schedule II Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3 (k)(2)(ii)

## Schedule III Information Relating to Possession or Control Requirements Under Rule 15c3-3

The Company is exempt from the Rule 15c3-3 as it relates to Possession and Control requirements under the (k)(2)(ii) exemptive provision

**Transitional Assessment Reconciliation**

(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 fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

044398 FINRA DEC  
GREAT PACIFIC FIXED INCOME SECURITIES INC 16\*16  
151 KALMUS DR STE H8  
COSTA MESA CA 92626-5971

Dave Banerjee  
818-657-0288

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)]	\$	<u>9,388.00</u>
B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest)	(	<u>3,350.00</u> )
<u>2/13/09 &amp; 12/01/09</u> Date Paid		
C. Less prior overpayment applied	(	<u>-</u> )
D. Assessment balance due or (overpayment)		<u>6,038.00</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum		<u>-</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$	<u>6,038.00</u>
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$	<u>                    </u>
H. Overpayment carried forward	\$(	<u>                    </u> )

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.

**GREAT PACIFIC FIXED INCOME SECURITIES INC.**

(Name of Corporation, Partnership or other organization)

Robert Yaap  
(Authorized Signature)

President  
(Title)

Dated the 10 day of February, 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 April 1, 2009  
and ending December, 2009  
Eliminate cents

Item No.  
2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 4,075,887.00

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.

-  
-  
-  
-  
-  
-  
-

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):

-  
-  
320,704.00  
-  
-  
-  
-  
-

(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 interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). \$ \_\_\_\_\_

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

Total deductions

-  
320,704.00  
\$ 3,755,183.00  
\$ 9,388.00

2d. SIPC Net Operating Revenues

2e. General Assessment @ .0025

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

## **BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

### **Independent Accountant's Report on Applying Agreed – Upon Procedures Related to an Entity's SIPC Assessment Reconciliation.**

Board of Directors  
Great Pacific Securities  
Costa Mesa, 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 Scheduled of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2009, which were agreed to by Great Pacific Securities and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Great Pacific Securities's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). Great Pacific Securities's management is responsible for the Great Pacific Securities'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 payment in Form SIPC-7T with respective cash disbursement records entries from the cash disbursements journal and related bank statements and reconciliations, noting no differences;
2. Compared the amounts reported on the audited Form X-17a-5 for the year ended December 31, 2009, as applicable with the amounts reported in Form SIPC-7T for the year ended December 31, 2009 noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers, such as clearing firms records supporting securities revenues, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers, such as revenues from third party support and bank records supporting the adjustments, noting no differences.

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.



Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 16, 2010

**BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTANT ON  
INTERNAL CONTROL STRUCTURE  
REQUIRED BY SEC RULE 17A-5**

Board of Directors  
Great Pacific Securities  
Costa Mesa, California

In planning and performing my audit of the financial statements of Great Pacific Securities for the year ended December 31, 2009, I considered its internal control structure, 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 the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures including tests of such practices and procedures followed by Great Pacific Securities including test of compliance with such practices and procedures that I considered relevant to objectives stated in Rule 17a-5(g), (1) 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, I did not review the practices and procedures followed by the Company in any of the following: (i) in making the quarterly securities examinations, counts, verifications and comparisons, (ii) recordation of differences required by Rule 17a-13, or (iii) in complying with the requirements for prompt payment for securities of Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an 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 internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



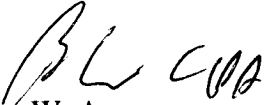
Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that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

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

In addition, my consideration of the internal control structure indicated that the Company was in compliance with the conditions of the exemption under Paragraph (k) (2) (ii) of Rule 15c3-3, and no facts came to my attention indicating that such conditions had not been complied with during the period. The scope of my engagement did not include the Anti Money Laundering provision of the U.S. Patriot Act.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate 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 at December 31, 2009 to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, 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.

  
Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 16, 2010