

10036030

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

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

**ANNUAL AUDITED REPORT** SEC Mail Processing  
**FORM X-17A-5** Section  
**PART III**

MAR 08 2010

SEC FILE NUMBER  
8-68077

FACING PAGE

Washington, DC

**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 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER - DEALER: HGS, LLC  
OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
141 West Jackson Blvd Suite 1080  
(No. and Street)

Chicago Illinois 60604  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Roxanne Rhyne 312-241-0615  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Robert Cooper & Company CPAs, P.C.  
(Name - if individual, state last, first, middle name)

141 W. Jackson Blvd. suite 1080 Chicago IL 60604  
(Address) (City) (State) (Zip Code)

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

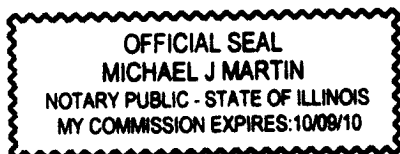
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\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

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, GEORGE HANUZY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of HGS, LLC, 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:



  
\_\_\_\_\_  
Notary Public

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Managing Member  
\_\_\_\_\_  
Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 of 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).*

***HGS, LLC***  
***(A Delaware***  
***Limited Liability Company)***

Financial Statements  
Year Ended December 31, 2009, and  
Independent Auditors' Report

(Filed Pursuant to Rule 17A-5 Under the Securities Exchange Act of 1934)

**HGS, LLC**  
Annual Report  
For the Year Ended December 31, 2009

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

**To the Members:  
HGS, LLC**

We have audited the accompanying statement of financial condition of **HGS, LLC** as of December 31, 2009, and the related statements of income, changes in Members capital, and cash flows for the year then ended December 31, 2009 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Members. 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 **HGS, LLC** as of December 31, 2009, and the results of their operations and their 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 and II 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 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.

  
Robert Cooper & Company, CPA's PC  
February 26, 2010

**HGS, LLC**  
 (An Illinois limited liability company)  
 Statement of Financial Condition  
 December 31, 2009

**Assets**

Cash	\$	36,708
Securities owned:		
Marketable securities, at market value		9,929,573
Options, at fair value		9,879,889
Total securities owned		19,809,462
Due from broker dealer		4,764,947
Accrued dividend receivable		4,675
Preferred stock in clearing firm		10,000
Fixed assets net of depreciation		23,160
Receivable from partners		21,000
Total Assets	\$	<u>24,669,952</u>

**Liabilities and Member's Equity**

Liabilities

Securities sold short:		
Marketable securities sold short, at market value	\$	10,448,856
Options sold short, at fair value		11,450,395
Accrued liabilities		12,210
Dividend payable		1,871
<b>Total liabilities</b>		<u>21,913,332</u>

Member's equity		2,756,620
Total member's equity and Liabilities	\$	<u>24,669,952</u>

0  
 The accompanying notes to financial statements  
 are an integral part of this statement

**HGS, LLC**  
(An Illinois limited liability company)  
Statement of Operations  
For the year ended December 31, 2009

<b>Revenues:</b>	
Trading revenue net of commissions	\$ 950,973
Interest and dividend income	76,697
Total Revenue	<u>1,027,670</u>
<b>Expenses:</b>	
Interest Expense	25,005
Seat lease	38,535
Regulatory and other expenses	99,840
Brokerage expense	13,886
Salary expense	142,542
Dividend expense	28,910
Depreciation	5,789
Technology & information expenses	38,536
Other operating expenses	198,528
<b>Total expenses</b>	<u>591,571</u>
<b>Net Income</b>	<u>\$ 436,099</u>

The accompanying notes to financial statements  
are an integral part of this statement

**HGS, LLC**  
(An Illinois limited liability company)  
Statement of Changes in Member's Equity  
For the year ended December 31, 2009

<b>Member's capital, December 31, 2008</b>	\$	0
Capital contributions		4,865,521
Capital withdrawals		(2,545,000)
Net income		436,099
<b>Member's capital, December 31, 2009</b>	<b>\$</b>	<u><u>2,756,620</u></u>

The accompanying notes to financial statements  
are an integral part of this statement



**HGS, LLC**  
 (An Illinois limited liability company)  
 Statement of Cash Flows  
 For the year ended December 31, 2009

<b>Cash Flows From Operating Activities:</b>	
Net Income	\$ 436,099
Items not effecting cash flow to reconcile cash depreciation	5,789
Changes in assets and liabilities:	
Increase in securities owned	(19,809,462)
Increase in receivable from brokers and dealers	(4,764,947)
Increase in other assets	(21,000)
Increase in accrued income and prepaids	(4,675)
Increase in accrued dividends payables	1,871
Increase in securities sold	21,899,251
Increase in accounts payable and accrued liabilities	12,210
<b>Net Cash used in operating activities</b>	<u>(2,244,864)</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of fixed assets	(28,950)
Purchase of preferred jbo stock	(10,000)
<b>Net Cash used in investing activities</b>	<u>(38,950)</u>
<b>Cash Flows From Financing Activities</b>	
Proceeds from capital contributions	4,865,521
Payments for capital withdrawals	(2,545,000)
<b>Net cash provided by financing activities</b>	2,320,521
<b>Net change in cash and cash equivalents</b>	36,707
<b>Cash at December 31, 2008</b>	0
<b>Cash at December 31, 2009</b>	<u>\$ 36,707</u>

Interest expense paid	25,005
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The accompanying notes to financial statements  
are an integral part of this statement

**HGS, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2009

**NOTE 1      Organization**

**HGS, LLC** (The “Company”) was organized under the Uniformed General LLC Act of Delaware on September 9, 2008. The business of the Company is to engage in the speculative trading of stock and stock options, for their own account on organized exchanges in the United States. **HGS, LLC** is registered as a Broker Dealer with the Securities and Exchange Commission (SEC) and a member of the Chicago Board Options Exchange (CBOE). The Company is exempt from certain filing requirements under the Rule 15c3-1(a)(6) of the Securities and Exchange Commission, since the Company does not trade on behalf of customers, effects transactions only with other broker dealers, does not effect transactions in unlisted options and clears and carries its trading accounts with a registered clearing partner of the Exchange.

**NOTE 2      Significant Accounting Policies**

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the normal course of business, the Company enters into transactions in exchange traded securities, including options thereon which are used primarily to hedge certain proprietary securities and commitments. Proprietary securities transactions together with related revenues and expenses are recorded on trade date. Securities and options owned are reflected at market value with the resulting unrealized gains and losses reflected currently in income.

*Income Taxes.*

A Limited Liability Company does not pay federal income taxes. The Company is treated for Federal and State income taxes as if it was a partnership reporting their income under the Sub Chapter K provision of the Internal Revenue Code of 1986. Each member is responsible for reporting their pro rata share of the profits or losses on their tax returns. The Company reports their income for taxes on a calendar year basis. The Company is subject to a 1.5% Illinois replacement tax.

*Depreciation.*

Depreciation is provided on a double declining balance following MACRS lives for all depreciable assets. The estimated useful lives are three years to five years for computers and related software. The Company writes off immediately all computer equipment.

*Statement of Cash Flows*

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

**HGS, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2009

**NOTE 3      Clearing Agreement**

The Company has a joint back office (JBO) clearing agreement with Goldman Sachs Clearing. The agreement allows JBO participants to receive favorable margin treatment as compared to a regular customer. As part of the agreement the Company has invested 10,187 in a preferred interest in Goldman Sachs Execution and Clearing, LP. The Company's interest in Goldman Sachs is reflected as a preferred stock on the balance sheet. Under the rules of the Chicago Board Options Exchange, the Company is required to maintain a minimum net liquidly trading value of \$1 million in Goldman Sachs exclusive of the preferred stock value of \$10,000.

**NOTE 4      Fair Value of Financial Instruments**

Substantially all of the Company's assets and liabilities are considered financial instruments as defined by Statement of Financial Accounting Standard No. 107 and are either already reflected at fair values, are short-term or replaceable on demand. Therefore, except for the preferred stock ownership, their carrying amounts approximate their fair value.

**NOTE 5      Fair Value measurements**

FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB Statement No. 157, are used to measure.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or a liability the Company has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company valued their liquid assets and liabilities on the Level 1 inputs for quoted prices in active markets which are essentially cash and cash equivalents. The Company did not value any assets at Level 2 or Level 3. The following is a summary of their fair value.

**HGS, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2009

Assets at Fair Value

Cash and securities, due from broker	Level 1		Total	\$14,731,228
Derivatives	Level 1		Total	9,879,889
Dividends and accrued income	Level 1		Total	4,674.
Total at Fair Value	Level 1		Total	\$24,615,792

Liabilities at Fair Value

Securities sold, not yet purchased	Level 1		Total	\$ 10,448,856
Options sold, not yet purchased	Level 1		Total	11,450,395
Dividends and accrued payables	Level 1		Total	14,079
Total at Fair Value	Level 1		Total	\$ 21,912,330

**NOTE 6      Securities sold, but not yet purchased**

Marketable securities sold but not yet purchased consists of trading and investment securities at quoted market value, as illustrated below.

	Sold, net yet purchased
Options	\$11,450,395
Securities	10,448,856
Total Sold, not yet purchased	\$21,899,251

**NOTE 7      Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 (and the rule of the applicable exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). Under this rule, the Company is required to maintain "minimum net capital" equivalent to \$100,000 or 6 2/3% of "aggregate indebtedness," whichever is greater, as these terms are defined. At December 31, 2009 the Company had net capital of \$ 2,166,710, which was \$2,066,710 in excess of its required net capital.

**NOTE 8      Derivative Financial Instruments**

Derivative financial instruments used for trading purposes, including economic hedges of trading instruments, are carried at market value or, if market prices are not readily available, fair value. Market values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter derivative financial instruments, principally forwards, options, and swaps, are based on pricing models intended to approximate the amounts that would be received from or paid to a third party in settlement of the contracts.

**HGS, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2009

**NOTE 9 Derivative Financial Instruments (continued)**

Derivatives used for economic hedging purposes include swaps, forwards, futures, and options. Unrealized gains or losses on these derivative contracts are recognized currently in the statement of income as trading revenues. The Company does not engage in activity in swaps or the forward market.

Financial Instruments and Fair Value of Financial Instruments," requires disclosures about the amounts, nature, terms and fair values of derivative financial instruments. The statements also requires that a distinction be made between financial instruments held or issued for trading purposes and financial instruments held or issued for purposes other than trading.

The Company invests in exchange traded options on stock and futures for speculative purposes. These contracts are marked to market daily and involve elements of market and credit risk. The Company's contracts are all exchange-traded whereas the options clearing corporation acts as the counter party of the specific transactions and , therefore, bears the risk of delivery to and from the counter parties.

The Company does not apply hedge accounting as defined in FASB Statement 133, Accounting for Derivative Instruments and Hedging Activities, as all financial instruments are marked to market with changes in fair values reflected in earnings. Therefore, the disclosures required in paragraphs 44 and 45 of the statement are generally not applicable with respect to these financial instruments.

Fair value of options contracts are recorded in securities owned or securities sold, not yet purchased, as appropriate. Fair value of options on futures and futures contracts are recorded as fair value of options on futures or open trade equity on futures as appropriate.

Premiums and unrealized gains and losses for written and purchased option contracts are recognized gross in the consolidated statement of financial condition.

**NOTE 10 Financial Instruments Held or Issued for Trading Purposes**

The Company trades in exchange trade equities, futures and options thereon. The following table summarizes the components of income from proprietary trading transactions and includes the class of financial instruments included.

Equity and futures trading (including equity shares, and options on stock) \$56,519,207.

The following amounts disclosed represent the market or fair value of derivative financial instruments at December 31, 2009, and the average market of fair value calculated based upon month end amounts, during the year for those instruments:

December 31, 2009	Asset FMV	Liability FMV	Asset Average. FMV	Liability Average FMV
Options	9,879,889	11,450,395	4,989,945	5,725,197

**HGS, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2009

**NOTE 11 Due from Broker-Dealers**

Receivable from broker-dealers at December 31, 2009 consist of the following:

Broker-dealer	\$ 4,764,947
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The amount receivable from broker-dealers is collectible cash primarily from trading stock and stock options. The cash balance receives interest at the broker call rate less 75 basis points.

The Company clears all transactions through another broker dealer pursuant to their clearing agreement.

At December 31, 2009, substantially all assets of the Company are deposited with the clearing broker.

**NOTE 12 Concentrations of Credit Risk**

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

**NOTE 13 Guarantees**

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (security or commodity price, an index) related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

**Derivative Contracts**

Certain derivative contracts that the Company has entered into meet the accounting definition of a guarantee under FIN 45. Derivatives that meet the FIN 45 definition of guarantees include written options. Since the Company does not track the counterparties purposes for entering into a derivative contract it has disclosed derivative contracts that are likely to be used to protect against a change in an underlying financial instrument, regardless of their actual use.

The maximum potential payout for certain derivative contracts, such as written options on futures and on securities, are disclosed as at their fair value.

**HGS, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2009

The Company records all derivative contracts at fair value. For this reason the Company does not monitor its risk exposure to derivative contracts based on derivative notional amounts, rather the Company manages the risk exposure on a fair value basis. Aggregate market risk limits have been established and market risk measures are routinely monitored against these limits. The Company believes that the notional amounts of the derivative contracts generally overstate its exposure.

**Exchange Member Guarantees**

The Company is a member of various exchanges that trade and clear securities and/or futures contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the consolidated financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

**NOTE 14      Commitments and Contingencies**

The Company has no long term expenditures that would require expenditures in future periods.

**NOTE 15      Preferred Stock**

The Company owns preferred in their broker dealer. The stock is unmarketable and is carried at cost, which is its approximate fair value. The stock pays a dividend.

**NOTE 16      Related Party Expenditure**

The Company is related to Hanley Group, LP which may pay for expenses at no cost to the Company.

**NOTE 17      Subsequent events**

After year end two of the members of HGS, LLC were in a position to leave the Company which would cause the Company to be a single member LLC

**HGS, LLC**  
**(An Illinois limited liability company)**  
**COMPUTATION OF NET CAPITAL**  
**PURSUANT TO UNIFORM NET CAPITAL RULE 15C3-1**

**December 31, 2009**

<b>Member's capital, December 31, 2009</b>	<b>\$ 2,756,620</b>
Less:	
Non allowable assets	-54,160
Capital charges on futures contracts	0
Haircuts	-397,118
Undue concentration	-138,632
<b>Net capital</b>	<u><u>2,166,710</u></u>
<b>Required net capital</b>	100,000
<b>Excess capital</b>	<u><u>\$ 2,066,710</u></u>
<b>Excess capital @ 1000%</b>	<u><u>\$ 2,165,302</u></u>

Note The above information on this schedule is in agreement, in all material respects, with the unaudited FOCUS Report, Part II filed by HGS, LLC as of December 31, 2009

The accompanying notes to financial statements  
are an integral part of this statement



**HGS, LLC**  
**(An Illinois limited liability company)**  
**COMPUTATION OF NET CAPITAL**  
**PURSUANT TO UNIFORM NET CAPITAL RULE 15C3-1**

**December 31, 2009**

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Aggregate Indebtedness

Items included in the balance sheet:

Accrued liabilities	\$ 14,081
Other	<u>0</u>
	<u><u>14,081</u></u>

Ratio: Aggregate Indebtedness to Net Capital **0.649879%**  
to 1

The accompanying notes to financial statements  
are an integral part of this statement

HGS, LLC  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
AND INFORMATION RELATING TO POSSESSION AND CONTROL  
REQUIREMENTS PURSUANT TO RULE 15c3-3

December 31, 2009

RESERVE COMPUTATION  
(See note below)

INFORMATION FOR POSSESSION AND CONTROL REQUIREMENTS  
(See note below)

**Note:** The Company, is exempt from Rule 15c3-3, it does not transact a business in securities with, or for, other than members of a national securities exchange and does not carry margin amounts, credit balances or securities for any person defined as a "customer" pursuant to Rule 17a-5(c)(4). Accordingly, there are no amounts reportable under these sections.

The accompanying notes to financial statements  
are an integral part of this statement

**To the Members:**  
**HGS , LLC:**

In planning and performing our audit of the consolidated financial statements and supplemental schedules of HGS , LLC (the Company), for the year ended December 31, 2009, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated 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), we have made a study of the practices and procedures followed by the Company including 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
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 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 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

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

The Company, because of its size and limited personnel, is unable to maintain an adequate separation of the various accounting functions. However, the managers of the Company informed me that they exercise close oversight of accounting records daily, thus offsetting the lack of separation of duties. The study and evaluation disclosed no condition that we believed to be a material weakness.

We 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 purposes in accordance with the Securities Commission 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 were adequate at December 31, 2009, to meet the Commission's objectives.

This report is intended solely for the information and use of the Members, management, the SEC, Chicago Board Options Exchange, 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.

  
*Robert Cooper and Company CPA's P.C.*

February 26, 2010

**OATH OR AFFIRMATION**  
**REGARDING ACCURACY AND COMPLETENESS**  
**OF FINANCIAL STATEMENTS AS OF FOR**  
**THE PERIOD ENDING DECEMBER 31, 2009**

To the best of my knowledge and belief, the information contained herein is accurate and complete.

A handwritten signature in black ink, appearing to read "Alley".

Managing Member