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

SEC FILE NUMBER
B. 34790

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING January 1, 2004 AND ENDING December 31, 2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Grant Bettingen, Inc.

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

4100 Newport Place, Suite 630

(No. and Street)

Newport Beach

CA

92660

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Grant Bettingen

949 851-5830

(Area Code, Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Elizabeth Tractenberg, CPA

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

10680 W. Pico Blvd., Suite 260, LA CA 90064

(Address)

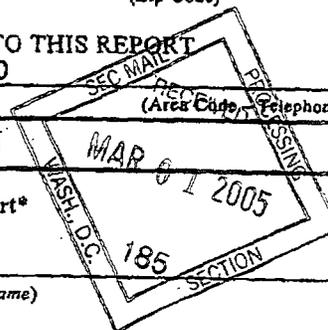
(City)

(State)

(Zip Code)

CHECK ONE:

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



PROCESSED

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FINANCIAL

\*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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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - DECEMBER 31, 2004

GRANT BETTINGEN, INC.

4100 Newport Place Dr., Suite 630  
Newport Beach, CA 92660-2423

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**ELIZABETH** CERTIFIED  
**TRACTENBERG** PUBLIC  
ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Grant Bettingen, Inc.  
Newport Beach, California

I have audited the accompanying statement of financial condition of Grant Bettingen, Inc. (the Company) as of December 31, 2004 and related statements of operations, cash flows, and changes in stockholder's equity for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of December 31, 2004 and the results of its operations, cash flows and stockholder's equity for the year then ended in conformity with accounting principles generally accepted in the United States.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplementary Information on pages 8 to 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements but includes 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
February 18, 2005

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GRANT BETTINGEN, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2004

ASSETS

Cash and equivalent	\$	178,442
Commissions receivable		294,984
Investments		
Securities		120,136
Warrants		143,175
Note receivable - officer		23,746
Other receivable		11,238
Other assets and deposits		10,004
Prepaid expenses		19,759
Furniture, fixtures and equipment net of accumulated depreciation of \$77,083		54,580
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>856,063</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable	\$	31,587
Accrued expenses		419,961
Accrued pension expenses		18,000
Income taxes payable		28,750
Capital lease payable		51,497
<b>TOTAL LIABILITIES</b>		<b>549,795</b>

STOCKOLDERS' EQUITY

Common stock (100,000 shares issued at a stated value of \$.10 per share)	\$	1,000
Paid-in capital		335,918
Less: Treasury stock		(22,775)
Retained earnings		(7,874)
		306,269
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b>856,063</b>

See Accompanying Notes to Financial Statements

GRANT BETTINGEN, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2004

REVENUES

Commissions	\$ 2,248,142
Investment banking income	1,183,933
Selling Concessions	
Insurance	116,525
Mutual funds	353,509
Dividend income	1,683
Interest income	74,867
Managed account fees	62,768
Trading gains and losses	(3,859)
Other income	64,152
	<hr/>
TOTAL REVENUES	4,101,721

DIRECT COSTS

Commission Expense	2,962,830
Clearing Charges	57,137
Data & Quote Services	40,573
Filing Fees	33,683
	<hr/>

TOTAL DIRECT COSTS 3,094,223

GROSS PROFITS 1,007,498

OPERATING EXPENSES - see page 8 882,359

INCOME BEFORE INCOME TAX PROVISION 125,139

INCOME TAX PROVISION

Current	<u>31,934</u>
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NET INCOME \$ 93,205

See Accompanying Notes to Financial Statements

GRANT BETTINGEN, INC.  
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Common Stock Shares</u>	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balance, December 31, 2003	1,000	\$ 1,000	\$ (22,775)	\$ 335,918	\$ (101,079)	\$ 213,064
Net Income					93,205	93,205
Balance, December 31, 2004	<u>1,000</u>	<u>\$ 1,000</u>	<u>\$ (22,775)</u>	<u>\$ 335,918</u>	<u>\$ (7,874)</u>	<u>\$ 306,269</u>

See Accompanying Notes to Financial Statements

GRANT BETTINGEN, INC.  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2004

Cash Flows from Operating Activities:	
Net income (loss)	\$ 93,205
Unrealized appreciation of investments	(38,974)
Depreciation	6,977
Changes in operating assets and liabilities:	
Commissions receivable	(151,259)
Commissions receivable	(4,596)
Other receivables	(11,238)
Other assets and deposits	(9,004)
Prepaid expenses	(100)
Accounts payable	16,900
Accrued expenses	293,324
Accrued pension expenses	18,000
Income taxes payable	<u>28,750</u>
Net cash used in operating activities	241,985
Cash Flows for Investing Activities:	
Acquisition of warrants	(143,175)
Purchases of property and equipment	<u>(55,761)</u>
Net Cash Used in Investing Activities	<u>(198,936)</u>
Cash Flows from Financing Activities:	
Capital lease	<u>51,497</u>
Net Cash Flows from Financing Activities	<u>51,497</u>
Net increase in cash	94,546
Cash at beginning of year	<u>83,896</u>
Cash at end of year	<u>\$ 178,442</u>

SUPPLEMENTAL INFORMATION

Interest paid	<u>\$ 1,063</u>
Income taxes paid	<u>\$ 3,184</u>

See Accompanying Notes to Financial Statements

GRANT BETTINGEN, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 - NATURE OF BUSINESS

Grant Bettingen, Inc. (the "Company") was incorporated in the State of California on March 6, 1980 and is registered with the Securities and Exchange Commission as a broker-dealer in securities. The Company is registered as a broker-dealer with the National Association of Securities Dealers, Inc. The Company is an introducing broker who clears all transactions with and for customers on a fully disclosed basis and does not handle customer funds or securities.

The Company has an agreement with clearing brokers to clear securities transactions, carry customers' accounts and perform certain recordkeeping functions. Accordingly, the Company operates under the exemptive provisions of Securities and Exchange Commission (SEC) Rule 15c3-3 (k)(2)(ii). As a result, the Company is exempt from certain provisions and requirements of the Securities Exchange Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue Recognition** - The Company recognizes revenue upon rendering of services.

**Property, Equipment and Depreciation** - Property and equipment are carried at cost. Depreciation is calculated using a modified accelerated cost recovery system. The estimated lives of the depreciable assets range from five to seven years.

**Income taxes** - Income taxes are provided based on earnings reported for financial statement purposes. In accordance with FASB Statement No. 109, the asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax basis and financial reporting basis of assets and liabilities

**Investments** - Investments in securities are valued at cost.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GRANT BETTINGEN, INC.  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2004

NOTE 2 - NET CAPITAL REQUIREMENT

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital (\$5,000), as defined, under such provisions. See page 8 for the computation of net capital.

NOTE 3 - PROVISION FOR INCOME TAXES

The Company's fiscal year ends December 31, 2004. The Company files its taxes on an accrual basis. The provision for income taxes for the year consists of the following:

Federal	\$ 18,337
State	<u>13,997</u>
	<u>\$ 32,334</u>

NOTE 4 - PENSION PLAN

The Company maintains a qualified profit sharing plan for all eligible employees. Vesting benefits occur at the current IRS period established for this type of plan. Retirement costs amounted to \$18,000 in fiscal 2004.

NOTE 5 - CAPITAL LEASE PAYABLE

At December 31, 2004, the Company had one capital lease with a principal balance of \$51,497 which matures in November 2009. Obligations under this Capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments. Equipment held under this capital lease and included in property and equipment had a cost of \$52,370 and accumulated depreciation of \$5,237. Depreciation expense on the capital lease was \$5,237 for the year ended December 31, 2004.

GRANT BETTINGEN, INC.  
 NOTES TO FINANCIAL STATEMENTS - Continued  
 DECEMBER 31, 2004

NOTE 5 – CAPITAL LEASE PAYABLE (continued)

The future minimum lease payments under this capital lease and the net present value of the future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2005	\$ 12,298
2006	12,298
2007	12,298
2008	12,298
2009	<u>11,426</u>
Total future minimum lease payments	\$ 60,618
Less: amount representing interest	<u>(9,121)</u>
Present value of future minimum lease payments	<u>\$ 51,497</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Company leases facilities in the County of Orange under a long-term lease agreement expiring through 2010. The annual rental commitments for years ending December 31, are as follows:

2005	\$ 88,097
2006	97,980
2007	100,025
2008	102,070
2009	104,114
2010	<u>8,690</u>
	<u>\$ 500,976</u>

#### NOTE 7 – OFF BALANCE-SHEET RISK

The customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customers' transactions. Off balance-sheet risk exists with respect to these transactions due to the possibility that a customer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker-dealer.

#### NOTE 7 – RELATED PARTY TRANSACTIONS

The Company advanced its stockholder \$19,150 on January 2, 2002. The note is unsecured and interest rate is 8% payable each calendar quarter.

**ELIZABETH** CERTIFIED  
**TRACTENBERG** PUBLIC  
ACCOUNTANT

**Independent Auditor's Report on Supplemental Information**

**Grant Bettingen, Inc.**  
Newport Beach, California

My report on my audit of the basic financial statements of Grant Bettingen, Inc. for December 31, 2004 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses on Page 8 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

*Elizabeth Tractenberg*

Elizabeth Tractenberg, CPA  
Los Angeles, California  
February 18, 2005

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GRANT BETTINGEN, INC.  
SCHEDULE OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2004

OPERATING EXPENSES

Automobile expense	\$ 9,274
Depreciation	6,977
Dues and subscriptions	5,334
Equipment rental	8,712
Insurance	116,902
Interest expense	1,063
Licenses and permits	2,118
Medical reimbursement	10,664
Miscellaneous	8,949
Office supplies	16,384
Officer commission	40,477
Outside services	171,330
Parking	3,174
Payroll and related expenses	233,127
Pension plan contribution	18,000
Postage	6,415
Printing	3,078
Professional fees	103,279
Rent	82,394
Telephone	15,374
Trading errors	11,041
Travel	8,295
	<hr/>
TOTAL OPERATING EXPENSES	\$ <u>882,359</u>

See Accompanying Notes to Financial Statements

GRANT BETTINGEN, INC.  
 COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT  
 TO RULE 15c3-1  
 DECEMBER 31, 2004

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$	306,269
Nonallowable assets:		
Investments - warrants less related liability	\$	25,287
Note receivable - officer		23,746
Other receivable		11,238
Other assets and deposits		10,004
Prepaid expenses		19,759
Furniture, fixtures and equipment net of accumulated depreciation of \$71,846		54,580
Net capital before hair cuts		<u>161,655</u>
Hair cut - investments		(15,879)
Hair cut - undue concentration		<u>(2,359)</u>
NET CAPITAL	\$	<u>143,417</u>

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness - 6-2/3% of net aggregate indebtedness	\$	<u>36,671</u>
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Minimum dollar net capital required	\$	<u>5,000</u>
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Net Capital required (greater of above amounts)	\$	<u>36,671</u>
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EXCESS CAPITAL	\$	<u>106,746</u>
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Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	\$	<u>88,438</u>
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COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities	\$	<u>549,795</u>
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Percentage of aggregate indebtedness to net capital		383.35%
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The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NET CAPITAL PER COMPANY'S COMPUTATION	\$	246,330
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VARIANCE -

Increase in cash - voided duplicate check	3,775
Investments - warrants less related liability	(25,287)
Capital lease payable	(51,497)
Increase in accrued expenses	(30,713)
Increase in income tax accrual	(20,450)
Change in hair cut	<u>21,259</u>

NET CAPITAL PER AUDITED REPORT	\$	<u>143,417</u>
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See Accompanying Notes to Financial Statements

PART II

GRANT BETTINGEN, INC.

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2004

**ELIZABETH** CERTIFIED  
**TRACTENBERG** PUBLIC  
ACCOUNTANT

**Independent Auditor's Report  
on Internal Accounting Control Required by SEC Rule 17a-5**

Board of Directors  
Grant Bettingen, Inc.  
Newport Beach, California

In planning and performing my audit of the financial statements of Grant Bettingen, Inc. (hereafter referred to as the "Company") for the year ended December 31, 2004, I have considered its internal control structure, including procedures 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 practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debts) and net capital under Rule 17a-5(a)(11) and for determining compliance with the exemptive provisions of Rule 15c-3. I did not review the practice and procedures followed by the Company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and recordation of differences required by Rule 17a-13; (2) in complying with the Governors of Federal Reserve System; or (3) in obtaining and managing physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structures 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 practice 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 an internal control structure and the practices and procedures are to provide responsibility and safeguard 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 accordance with generally accepted accounting principles.

Board of Directors  
Grant Bettingen, Inc.

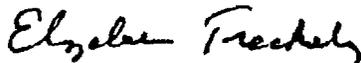
Rule 171-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness under the 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 relationship 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 accounting system and control procedures that I considered to be material weaknesses as defined above. In addition, the Company, was in compliance with the exemptive provisions of Rule 15c3-3 as of December 31, 2004 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I understand that the 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 Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate on December 31, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Regulation 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purposes.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
February 18, 2005