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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 10075

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, 2006 AND ENDING December 31, 2006  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: C.A. Botzum & Co.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

505 South Main Street, Suite 875

Orange (City) California (State) 92868 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Charles A. Botzum, Jr. (714) 973-2300  
(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)

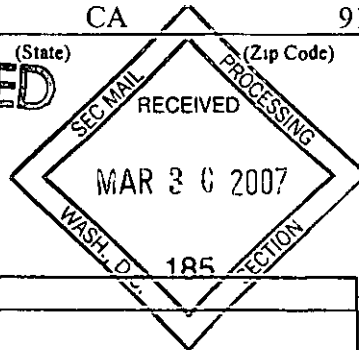
9221 Corbin Avenue Suite 170 (Address) Northridge (City) CA (State) 91324 (Zip Code)

CHECK ONE:

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

PROCESSED

APR 11 2007



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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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Charles A. Botzum, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of C.A. Botzum & Co. of December 31, 2006, 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 California  
County of Orange  
Subscribed and sworn (or affirmed) to before me this 23rd day of March, 2007  
Jessica Ruggiero  
Notary Public

*Charles A. Botzum, Jr.*  
Signature Charles A. Botzum, Jr  
President  
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 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).

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report

Board of Directors  
C.A Botzum & Co.:

We have audited the accompanying statement of financial condition of C.A Botzum & Co. (the Company) as of December 31, 2006, and the related statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C.A Botzum & Co. as of December 31, 2006, 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, III and IV 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  
February 1, 2007

***We Focus & Care<sup>SM</sup>***

**C.A. Botzum & Co.**  
**Statement of Financial Condition**  
**December 31, 2006**

**Assets**

Cash	\$ 65,230
Cash and securities segregated under federal and other regulations	36,000
Deposits at clearing firms	2,500
Receivable from customers	15,068
Receivable from brokers and dealers	7,134
Receivable from officer	7,572
Advances to stockholders, collateralized	81,568
Secured demand notes, collateralized by marketable securities	125,000
Prepaid expenses	<u>7,682</u>
<b>Total assets</b>	<b><u>\$ 347,754</u></b>

**Liabilities and Stockholders' Equity**

**Liabilities**

Accounts payable and accrued expenses	\$ 3,698
Payable to brokers	7,550
Payable to customers	70,282
Liabilities subordinated to claims of general creditors	<u>125,000</u>
<b>Total liabilities</b>	<b>206,530</b>

**Stockholders' equity**

Common stock, \$1 par value, 500,000 shares authorized, 325,000 shares issued and outstanding	325,000
Less excess of par value over consideration	(172,774)
Additional paid-in capital	202,312
Accumulated deficit	<u>(213,314)</u>
<b>Total stockholders' equity</b>	<b><u>141,224</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 347,754</u></b>

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

**C.A. Botzum & Co.**  
**Statement of Operations**  
**For the Year Ended December 31, 2006**

**Revenue**

Commissions	\$ 74,367
Investment gains (losses)	218
Interest income	83
Other income	<u>3,068</u>

**Total revenue** 77,736

**Expenses**

Employee compensation and benefits	2,143
Commissions and floor brokerage	7,459
Occupancy and equipment rental	49,727
Interest	1,250
Other operating expenses	<u>17,924</u>

**Total expenses** 78,503

**Net income (loss) before income tax provision** (767)

**Income tax provision** 800

**Net income (loss)** \$ (1,567)

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

**C.A. Botzum & Co.**  
**Statement of Changes in Stockholders' Equity**  
**For the Year Ended December 31, 2006**

	<u>Common Stock</u>	<u>Par Value In Excess of Consideration</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at December 31, 2005	\$ 325,000	\$ (172,774)	\$ 202,312	\$ (211,747)	\$ 142,791
Net income (loss)	—	—	—	(1,567)	(1,567)
Balance at December 31, 2006	<u>\$ 325,000</u>	<u>\$ (172,774)</u>	<u>\$ 202,312</u>	<u>\$ (213,314)</u>	<u>\$ 141,224</u>

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

**C.A. Botzum & Co.**  
**Statement of Changes in Liabilities Subordinated**  
**to the Claims of General Creditors**  
**For the Year Ended December 31, 2006**

	Subordinated <u>debt</u>
Balance at December 31, 2005	\$ 125,000
Additions (Reductions)	<u>          —</u>
Balance at December 31, 2006	<u>\$ 125,000</u>

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

**C.A. Botzum & Co.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2006**

**Cash flows from operating activities:**

Net income (loss)		\$ (1,567)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Receivable from brokers and dealers	\$ (5,123)	
Cash and securities segregated	(14,000)	
Receivable from customers	1,093	
Receivable from officer	(6,400)	
Prepaid expenses	1	
Proceeds from the sale of investments	15,554	
(Decrease) increase in:		
Accrued expenses	(7,086)	
Payable to brokers and dealers	7,450	
Payable to customers	<u>(33,449)</u>	
Total adjustments		<u>(41,960)</u>
<b>Net cash provided by (used in) operating activities</b>		<u>(43,527)</u>

**Cash flows from investing activities:**

-

**Cash flows from financing activities:**

Increase in notes receivable-related party	<u>(3,064)</u>	
<b>Net cash provided by (used in) financing activities</b>		<u>(3,064)</u>

Net increase (decrease) in cash		(46,591)
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Cash at beginning of year		<u>111,821</u>
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Cash at end of year		<u><u>\$ 65,230</u></u>
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**Supplemental disclosure of cash flow information:**

Cash paid during the year for:

Interest	\$ 1,250	
Income taxes	\$ 800	

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



**C.A. Botzum Co.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

C.A. Botzum & Co. (the "Company") was incorporated in the state of California on April 20, 1961 and operates as a registered broker/dealer in securities under the provision of the Securities Exchange Act of 1934. The Company is engaged in the buying and selling of securities for public customer accounts and also performs limited proprietary trading. The Company is a member of the National Association of Securities Dealers ("NASD") and the Securities Investor Protection Corporation ("SIPC").

The Company holds securities for approximately 70 clients. The majority of the clients are in California, especially Southern California. No one client represents an undue concentration of risk to the Company.

*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.

Securities transactions are recorded on a trade date basis with related commission income and expenses also recorded on a trade date basis.

The Company has fully depreciated furniture and equipment of \$21,879. Furniture and equipment, have been depreciated over the estimated useful lives of the related assets. Depreciation was computed using the straight-line method for both financial statement and income tax purposes.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for income taxes", which requires the establishment of a deferred tax asset or liability for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

**C.A. Botzum Co.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 2: CASH AND SECURITIES SEGREGATED UNDER THE FEDERAL AND OTHER REGULATIONS**

Cash of \$36,000 has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

**Note 3: DEPOSITS AT CLEARING FIRM**

The Company has deposited \$2,500 with Emmett A. Larkin Company, Inc. as security for its transactions with them.

**Note 4: RECEIVABLE FROM BROKERS-DEALERS AND CLEARING FIRMS**

Amounts receivable from brokers-dealers and clearing firms at December 31, 2006, consist of the following:

	<b>Receivable</b>
Securities failed-to-deliver	\$ 5,205
Clearing commissions	<u>1,929</u>
	<u>\$ 7,134</u>

**Note 5: ADVANCES TO STOCKHOLDERS, COLLATERALIZED**

Advances to the stockholders, collateralized for \$81,568 are demand, non-interest bearing obligations secured by collateral, valued net of haircuts, at \$81,568 on December 31, 2006. The collateral securing the advances is as follows:

<b><u>Description</u></b>	<b><u>Fair Market Value</u></b>	<b><u>Value Net of Haircuts</u></b>
Corporate stocks	\$ 3,724	\$ 3,166
Municipal obligations	<u>83,717</u>	<u>78,402</u>
Total	<u>\$ 87,441</u>	<u>\$ 81,568</u>

**C.A. Botzum Co.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 6: COMMITMENTS AND CONTINGENCIES**

*Commitments*

In August 2005, the Company entered into a five (5) year lease for office space. The lease commenced in December 2005. Future minimum lease expenses are as follows:

<u>Year Ending December 31,</u>	
2007	\$ 30,501
2008	31,699
2009	32,910
2010	31,300
2011 & thereafter	<u>—</u>
	<u>\$ 126,410</u>

Rent expense for the year ended December 31, 2006, was \$42,676.

*Contingencies*

The Company maintains bank accounts at a financial institution. These accounts are insured by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000. At times during the year ended December 31, 2006, cash balances held in that financial institution were in excess of the FDIC's insured limit. The Company has not experienced any losses in such accounts and management believes that it has placed its cash on deposit with a financial institution that is financially stable.

**Note 7: SECURED DEMAND NOTES AND LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS**

The borrowings under subordination agreements at December 31, 2006, are listed below.

Liabilities subordinated to secured demand note collateral agreement:

Interest at 1% due November 30, 2009	<u>\$ 125,000</u>
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In 2006, the National Association of Security Dealers, Inc., accepted an amendment to this agreement for subordinated loan of \$120,000 extending the maturity date from May 1, 2006, to November 30, 2009. In addition, the maturity date of the subordinated loan for \$5,000 was also extended from September 2, 2006, to November 30, 2009.

**C.A. Botzum & Co.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 7: SECURED DEMAND NOTES AND LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS**

**(Continued)**

The subordinated borrowings are covered by agreements approved by the National Association of Security Dealers, Inc. and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

The total secured demand note of \$125,000 is collateralized by municipal bonds valued, net of haircuts, at \$127,633 on December 31, 2006. The collateral securing the demand note is as follows:

<u>Description</u>	<u>Fair Market Value</u>	<u>Value Net of Haircuts</u>
Municipal obligations	<u>\$ 136,199</u>	<u>\$ 127,633</u>

**Note 8: INCOME TAXES**

The income tax provision for the year ended December 31, 2006, consists of the California Franchise Tax Board minimum tax of \$800.

The Company has available at December 31, 2006, unused operating loss carry-forwards, which may be applied against future taxable income, resulting in a deferred tax asset of approximately \$10,780, that expires as follows:

Amount of unused operating loss carry-forwards	Expiration during year ended December 31,
\$ 1,975	2014
20,933	2015
4,511	2018
9,761	2019
20,711	2020
7,086	2023
5,324	2025
<u>1,567</u>	2026
<u>\$ 71,868</u>	

A 100% valuation allowance has been established against this asset since management cannot determine if it is more likely than not that the asset will be realized.

**C.A. Botzum & Co.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 9: RELATED PARTY TRANSACTIONS**

The Company is involved in securities transactions with Hammond & Botzum ("Hammond") which is owned by a minor stockholder of the Company. The Company accounts for a third of Hammond's revenue.

**Note 10: 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 11: RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 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. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is measurement of any tax position that meets the more-likely-than-not recognition threshold to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and results of operations. However, the impact is not expected to be material.

In September 2006, the FASB issued Statement of Accounting Financial Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 157 is not expected to have a material effect on the Company's financial statements.

**C.A. Botzum & Co.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 11: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements Nos. 87, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company's equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 158 is not expected to have a material effect on the Company's financial statements.

**Note 12: 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. Net capital and aggregate indebtedness change day to day, but on December 31, 2006, the Company's net capital of \$250,970, which was \$970 in excess of its required net capital of \$250,000; and the Company's ratio of aggregate indebtedness (\$45,530) to net capital was 0.18:1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**Note 13: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is no 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		\$ 250,970
Adjustments:		
Accumulated deficit	\$ (1)	
Non-allowable assets	<u>1</u>	
Total adjustments		<u>—</u>
Net capital per audited statements		<u>\$ 250,970</u>

**C.A. Botzum & Co.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2006**

**Computation of net capital**

**Stockholders' equity**

Common stock	\$ 325,000	
Less excess of par value over consideration	(172,774)	
Additional paid-in capital	202,312	
Accumulated deficit	<u>(213,314)</u>	
<b>Total stockholders' equity</b>		<b>\$ 141,224</b>

Add: Secured demand notes	<u>125,000</u>	
Total additions		<u>125,000</u>

Total capital and allowable subordinated loans 266,224

Less: Non-allowable assets		
Prepaid expenses	(7,682)	
Receivable from officer	<u>(7,572)</u>	
Total non-allowable assets		<u>(15,254)</u>

**Net capital** 250,970

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 3,032	
Minimum dollar net capital required	<u>\$ 250,000</u>	
Net capital required (greater of above)		<u>250,000</u>

**Excess net capital** \$ 970

Percentage of aggregate indebtedness to net capital 0.18:1

There was no difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2006.

*See independent auditor's report.*

**C.A. Botzum & Co.**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2006**

**Credit Balances**

Free credit balances and other credit balances in customers' security accounts	\$ 70,282	
Customers' securities failed to receive	<u>7,550</u>	
Total credits		\$ 77,832

**Debit Balances**

Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	14,917	
Failed to deliver of customers' securities not older than 30 calendar days	<u>5,205</u>	
Total debits		<u>20,122</u>

**Reserve Computation**

Excess of total credits over total debits	<u>\$ 57,710</u>
Reserve required at 105%	<u>\$ 60,595</u>
Amount held on deposit in reserve account at December 31, 2006	\$ 36,000
Deposit (withdrawal) after year end	<u>\$ 30,000</u>
Amount in reserve account	<u>\$ 66,000</u>

There was a \$1 difference between reserve requirements here and reserve requirements as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2006, due to rounding.

*See independent auditor's report.*



**C.A. Botzum & Co.**  
**Schedule III - Reconciliation of Net Capital and**  
**Reserve Requirements Under Rule 15c3-3**  
**As of December 31, 2006**

Net Capital as calculated per audit report	\$ 250,970
Net Capital as calculated per broker-dealer's most recent filing of Form X-17a-5, Part II, December 31, 2006	<u>250,970</u>
Net difference in computation of net capital	<u>\$ -</u>
Reserve requirement as calculated per audit report	\$ 57,710
Reserve requirement as calculated per broker-dealer's most recent filing of Form X-17a-5, Part II, December 31, 2006	<u>57,709</u>
Net difference in computation of reserve requirements	<u>\$ 1</u>

*See independent auditor's report.*

**C.A. Botzum & Co.**  
**Schedule IV - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of December 31, 2006**

The Company is a self-clearing firm and is subject to the possession or control requirements under rule 15c3-3 of the Securities and Exchange Commission. The Company is in compliance with these requirements and there were no instances noted during our audit of securities that were required to be in possession or control that had not been reduced to possession or control in the proper time frame.

*See independent auditor's report.*

**C.A. Botzum & Co.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2006**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Board of Directors  
C.A Botzum & Co.:

In planning and performing our audit of the financial statements and of C.A Botzum & Co. ("the Company") as of and for the year ended December 31, 2006, 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 audit 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 compliance with such practices and procedures that we considered relevant to objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications and comparisons, and the 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

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 judgements 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 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.

*i*

***We Focus & Care***<sup>SM</sup>

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 December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers, Inc., 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.*

Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 1, 2007

END