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

SEC FILE NUMBER
8- 67204

Washington, DC  
101

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, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Equity Concepts, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

7777 Bonhomme Avenue, 24th Floor

(No. and Street)

Clayton

(City)

MO

(State)

63105

(Zip Code)

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

Mark E. Diemer

(314) 725-4175

(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

Gruetttemeyer & Co., P.C.

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

14615 Manchester Road, 204

(Address)

Manchester

(City)

MO

(State)

63011

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 21 2008**

**THOMSON  
FINANCIAL**

FOR OFFICIAL USE ONLY

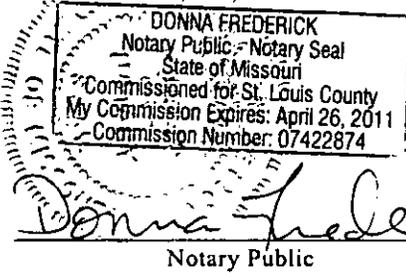
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SD  
3/20/08

OATH OR AFFIRMATION

I, Mark E. Diemer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equity Concepts, Inc., as of December 31, 2007, 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:

\_\_\_\_\_  
\_\_\_\_\_



Mark E. Diemer  
Signature  
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 Financial Condition~~ Changes in Financial Condition (cash flow)
- (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).

**EQUITY CONCEPTS, INC.**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2007

**EQUITY CONCEPTS, INC.**

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Independent Auditor's Report on Internal Accounting Control  
Required by SEC Rule 17a-5 for a Broker-Dealer Claiming  
an Exemption from SEC Rule 15c3-3.

# **GRUETTEMAYER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

TEL: (636) 394-9017 FAX: (636) 394-6929

14615 MANCHESTER RD., SUITE 204  
MANCHESTER, MISSOURI 63011

MARTIN E. GRUETTEMAYER, C.P.A.  
JO ANN BIGGS, ASSOCIATE

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors and Stockholders  
of Equity Concepts, Inc.  
Clayton, Missouri 63105

We have audited the accompanying statement of financial condition of Equity Concepts, Inc. (a Missouri corporation) as of December 31, 2007, and the related statements of income, 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 Equity Concepts, Inc. as of December 31, 2007, and the results of its operations, changes in stockholders' equity and 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 supplementary information, (Schedules 1 through 3), is presented for the purpose 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 and 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.



St. Louis, Missouri  
February 14, 2008

**EQUITY CONCEPTS, INC.****STATEMENT OF FINANCIAL CONDITION  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>ASSETS:</b>	
Cash	\$ 70,088
Receivables – from clearing brokers	22,471
– other	1,452
Deposits – with clearing brokers	5,000
– with regulatory agency	225
<b>TOTAL ASSETS</b>	<b>99,236</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>	
Liabilities:	
Accounts payable	0
Payroll taxes payable	4,102
<b>Total Liabilities</b>	<b>4,102</b>
Stockholders' Equity:	
Common stock, par value \$1.00, authorized 30,000 shares, issued and outstanding 1,000 shares at December 31, 2007	1,000
Additional paid-in capital	31,000
Retained earnings	63,134
<b>Total Stockholders' Equity</b>	<b>95,134</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 99,236</b>

The accompanying Notes to Financial Statements  
are an integral part of this statement

**EQUITY CONCEPTS, INC.**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2007**REVENUES:**

Broker Dealer - other business	\$ 418,833
Interest	0

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<b>TOTAL REVENUES</b>	<b>418,833</b>
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**EXPENSES:**

Employee compensation	141,800
Payroll taxes	12,309
Communications	8,582
Professional fees	6,405
Office expense	7,712
Regulatory fees	1,885
Fidelity bond and insurance	868
Travel	4,831

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<b>TOTAL EXPENSES</b>	<b>184,392</b>
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Income from operations	234,441
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Special distribution	35,000
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Income before income taxes	269,441
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Income tax provision (Note 3)	-
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<b>NET INCOME</b>	<b>\$ 269,441</b>
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*The accompanying Notes to Financial Statements  
are an integral part of this statement*

**EQUITY CONCEPTS, INC.**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2007.

	Common Stock	Additional Paid In Capital	Treasury Shares	Retained Earnings Deficit	TOTAL
<b>Balance</b>					
<b>December 31, 2006</b>	<b>\$ 1,000</b>	<b>\$ 31,000</b>	<b>\$ -</b>	<b>\$ 35,693</b>	<b>\$ 67,693</b>
Distributions	-	-	-	(242,000)	(242,000)
Income for the year ended December 31, 2007	-	-	-	269,441	269,441
<b>Balance</b>					
<b>December 31, 2007</b>	<b>\$ 1,000</b>	<b>\$ 31,000</b>	<b>\$ -</b>	<b>\$ 63,134</b>	<b>\$ 95,134</b>

*The accompanying Notes to Financial Statements  
are an integral part of this statement*

**EQUITY CONCEPTS, INC****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007****OPERATIONAL CASH FLOWS:**

Net Income	\$ 269,441
Charges or credits to net income not requiring an outlay of cash:	-
	<u>269,441</u>
Changes in working capital asset and liability items:	
Assets:	
Decrease receivable from clearing broker	5,337
(Increase) deposit with clearing broker	-
Decrease other receivables	734
Decrease deposit	170
Liabilities:	
(Decrease) accounts payable	(326)
(Decrease) payroll taxes payable	(699)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>274,657</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Additional paid in capital	-
Distribution	( 242,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES:</b>	<u>( 242,000)</u>
NET INCREASE (DECREASE) IN CASH	32,657
CASH BALANCE AT BEGINNING OF YEAR	37,431
<b>CASH BALANCE AT END OF YEAR</b>	<u>\$ 70,088</u>

*The accompanying Notes to Financial Statements  
are an integral part of this statement.*

## EQUITY CONCEPTS, INC.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### General

Equity Concepts, Inc. (the Company) was formed May 14, 1992, upon issuance of the certificate of incorporation by the state of Missouri. The Company commenced operations as a securities broker/dealer upon notification of approval from regulatory authorities.

##### Prepaid Cost

Prepaid costs are charged to income over the period of benefit.

##### Deferred Organization Cost

Costs to organize the corporation were amortized to income over 60 months, from the date its business activities began, in accordance with Federal Income Tax regulations.

##### Revenue and Expense Recognition

The Company conducts a two-tier clearing business. It's customers, which include other security broker/dealers, both domestic and foreign to the USA, will be re-introduced on a non-exclusive fully disclosed basis. The clearing broker will pool all net revenue generated from the Company's customers into a correspondent payable account.

Monthly the Company will calculate the amount due each broker/dealer and the clearing broker will distribute to each entity the amount due from the correspondent payable account. The balance of this pool is then distributed to the Company which is recognized as broker dealer - other business revenue.

The Company received a one time distribution in the amount of \$35,000. All securities broker dealers were paid a like fixed amount by the regulatory agency upon it's merger into FINRA.

##### Good Faith Deposit

The Company is obligated to maintain a good faith cash deposit account in the amount of \$5,000 with its clearing broker. The balance at December 31, 2007 satisfied this requirement.

Claims against the Company, not otherwise resolved within 3 business days notice, may be charged to the deposit account by the clearing broker, if amounts due the Company are inadequate to settle the claim. The deposit is fully refundable upon termination of the clearing agreement and the passing of the statutory time period. Good faith deposits maintained with the clearing broker are at risk and are uninsured and not collateralized.

**EQUITY CONCEPTS, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

The Company changed its tax status by electing to be treated as an S-corporation, effective June 1, 1998. Under this provision of the tax code the company is not obligated to pay income tax and instead reports it's income to the shareholders.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**2. STOCKHOLDERS EQUITY**

Stock Ownership

All the common stock of the Company is owned by the Officer/Shareholders who also serve as Directors.

**3. RENT AND OFFICE EQUIPMENT**

The Company occupies space and uses equipment provided by the clearing broker. The associated expense is charged against amounts due the Company, as a component of the clearing charges.

**4. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commissions uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum dollar net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007, the Company had adjusted net capital of **\$87,379**, which was \$82,379 in excess of the required minimum dollar net capital of \$5,000. The Company's net capital ratio for year ended December 31, 2007 was 0.047 to 1.

**SUPPLEMENTARY INFORMATION**

**EQUITY CONCEPTS, INC.****COMPUTATION OF NET CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>CAPITAL:</b>	
Capital stock	\$ 1,000
Paid-in capital	31,000
Retained earnings	63,134
<b>Total Capital</b>	<b>95,134</b>
<b>Deductions From Capital:</b>	
Other receivable	( 2,251)
Clearing Deposit	( 5,000)
Deposit regulatory agency	( 225)
Unsecured debits	( 279)
<b>Total Deductions</b>	<b>( 7,755)</b>
<b>Adjusted Net Capital</b>	<b>87,379</b>
<b>AGGREGATE INDEBTEDNESS</b>	
Accounts payable	-
Payroll taxes payable	4,102
<b>Total aggregate indebtedness</b>	<b>4,102</b>
<b>Ratio: Aggregated indebtedness to adjusted net capital</b>	<b>0.047 to 1</b>
Minimum dollar net capital	\$ 5,000
Adjusted net capital	87,379
<b>Excess of Net Capital Over Requirement</b>	<b>\$ 82,379</b>
Six and two-thirds (6-2/3%) percent of aggregate indebtedness	\$ 273
Adjusted net capital	87,379
<b>Excess of Net Capital at 1500%</b>	<b>\$ 87,106</b>

**EQUITY CONCEPTS, INC.****RECONCILIATION OF NET CAPITAL COMPUTATION  
UNDER RULE 15c3-1  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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Net capital at December 31, 2007	\$ 87,379
Net capital shown on most recent unaudited part IIA filing	87,378
<b><u>Difference-Rounding</u></b>	<b><u>\$ 1</u></b>

**EQUITY CONCEPTS, INC.**

**INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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An exemption to the possession or control requirements of Rule 15c3-3 is claimed under Section (k) (2) (ii):

In that all customer monetary and security receipts by the firm are promptly transmitted in accordance with applicable regulations, and that all customer security transactions are cleared through Smith, Moore & Co. on a fully disclosed basis.

# **GRUETTEMAYER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

TEL: (636) 394-9017 FAX: (636) 394-6929

14615 MANCHESTER RD., SUITE 204  
MANCHESTER, MISSOURI 63011

MARTIN E. GRUETTEMAYER, C.P.A.  
JO ANN BIGGS, ASSOCIATE

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3.**

Board of Directors  
Equity Concepts, Inc.

In planning and performing our audit of the financial statements of Equity Concepts, Inc. (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. **Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:**

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17-a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with the 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 structure 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 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 were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used by anyone other than these specific parties.



St. Louis, Missouri  
February 14, 2008

END