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

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

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

REPORT FOR THE PERIOD BEGINNING October 1, 2007 AND ENDING September 30, 2008  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Equibond, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1801 Century Park East Suite 1470  
(No and Street)  
Los Angeles California 90067  
(City) (State)

PROCESSED  
DEC 18 2008  
THOMSON REUTERS

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Jay Lustig (310)  
(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 Northridge California  
(Address) (City) (State) (Zip Code)

RECEIVED  
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BRANCH OF REGISTRATIONS  
AND EXAMINATIONS  
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CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

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OATH OR AFFIRMATION

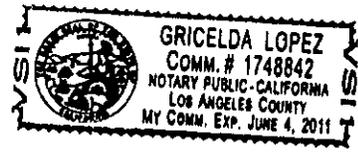
I, Jay Lustig, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equibond, Inc., as of September 30, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, 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 Los Angeles

Subscribed and sworn (or affirmed) to before me this 5 day of November, 2008 by Jay Lustig personally known to me or proved to me on the basis of satisfactory evidence to be

Signature: Jay Lustig
Title:

Notary Public



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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss)
(d) Statement of Changes in 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).

**Equibond, Inc.**

**Report Pursuant to Rule 17a-5 (d)**

**Financial Statements**

**For the Year Ended September 30, 2008**

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

Independent Auditor's Report

Board of Directors  
Equibond, Inc.:

We have audited the accompanying statement of financial condition of Equibond, Inc. (the Company) as of September 30, 2008, and the related statements of operations, changes in stockholder's 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 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 Equibond, Inc. as of September 30, 2008, 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, and III 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  
November 26, 2008

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

**Equibond, Inc.**  
**Statement of Financial Condition**  
**September 30, 2008**

**Assets**

Cash and cash equivalents	\$ 105,332
Receivable from clearing organization	64,426
Marketable securities, at market	158,559
Receivable - other	30,000
Furniture & equipment, net	29,592
Deposits	6,276
Deferred tax assets	42,376
Other assets	<u>600</u>
<b>Total assets</b>	<b><u>\$ 437,161</u></b>

**Liabilities & Stockholder's Equity**

**Liabilities**

Commissions payable	\$ 25,821
Payable to clearing organization	7,459
Salaries and bonuses payable	6,898
Deferred taxes payable	<u>3,794</u>
<b>Total liabilities</b>	<b>43,972</b>

**Stockholder's equity**

Common stock, 100,000 shares authorized, no par value, 5,000 shares issued and outstanding	50,000
Additional paid-in capital	647,000
Accumulated deficit	<u>(303,811)</u>
<b>Total stockholder's equity</b>	<b><u>393,189</u></b>
<b>Total liabilities &amp; stockholder's equity</b>	<b><u>\$ 437,161</u></b>

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

**Equibond, Inc.**  
**Statement of Operations**  
**For the year ended September 30, 2008**

**Revenues**

Commissions	\$ 2,439,159
Net inventory and investment gains (losses)	(166,732)
Interest	55,710
Other income	<u>8,170</u>

**Total revenues** 2,336,307

**Expenses**

Employee compensation and benefits	1,120,074
Commissions and floor brokerage	868,576
Communications	113,066
Occupancy and equipment rental	81,798
Interest	5,164
Taxes, other than income taxes	14,262
Other operating expenses	<u>161,490</u>

**Total expenses** 2,364,430

**Net income (loss) before income tax provision** (28,123)

**Income tax provision** 12,320

**Net income (loss)** \$ (40,443)

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

**Equibond, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the year ended September 30, 2008**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at September 30, 2007	\$ 50,000	\$ 617,000	\$ (263,368)	\$ 403,632
Additional investment	—	30,000	—	30,000
Net income (loss)	—	—	(40,443)	(40,443)
Balance at September 30, 2008	<u>\$ 50,000</u>	<u>\$ 647,000</u>	<u>\$ (303,811)</u>	<u>\$ 393,189</u>

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

**Equibond, Inc.**  
**Statement of Cash Flows**  
**For the year ended September 30, 2008**

<b>Cash flow from operating activities:</b>		
Net income (loss)		\$ (40,443)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	\$ 18,816	
(Increase) decrease in:		
Receivable from clearing organization	63,145	
Marketable securities, at market	(43,795)	
Receivable - other	(17,000)	
Deferred tax assets	14,574	
(Decrease) increase in:		
Commissions payable	(6,675)	
Payable to clearing organization	3,321	
Salaries and bonuses payable	(164)	
Deferred taxes payable	<u>(3,138)</u>	
Total adjustments		<u>29,084</u>
<b>Net cash and cash equivalents provided by (used in) operating activities</b>		<b>(11,359)</b>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	<u>(4,661)</u>	
<b>Net cash and cash equivalents provided by (used in) investing activities</b>		<b>(4,661)</b>
<b>Cash flows from financing activities:</b>		
Additional investment	<u>30,000</u>	
<b>Net cash and cash equivalents provided by (used in) financial activities</b>		<b><u>30,000</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>13,980</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>91,352</u></b>
<b>Cash and cash equivalents at the end of the year</b>		<b><u><u>\$ 105,332</u></u></b>

**Supplemental disclosure of cash flow information:**

Cash paid during the period ended September 30, 2008

Income taxes	\$ 800
Interest	\$ 5,164

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

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

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

*General*

Equibond, Inc. (the "Company") was incorporated in the State of California in September 1994. In April, 1995, the Company registered as a broker dealer in securities with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB"), and the Securities Investors Protection Corporation ("SIPC").

The Company trades on a fully disclosed basis whereby the execution and clearance of trades are handled by an outside clearing firm.

The Company trades equities and fixed income products executed on an exchange or over the counter. The firm does not hold customer funds and/or securities. The Company has over 280 clients.

*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.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivable from clearing organization is stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial

Securities transactions are recorded on a trade date basis. Marketable securities are valued at month end market value. The resulting difference between cost and market value is included in net inventory and investment gains. Investments, not readily marketable are valued at cost.

Furniture & equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture & equipment are depreciated over their estimated useful lives of three (3) to ten (10) years by the

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

straight-line method.

Deferred income taxes are provided under the Statement of Financial Accounting Standards No. 109. This standard provides a balance sheet approach to income tax accounting. The principal difference between the financial reporting and tax basis of the assets and liabilities is the rapid depreciation write off of fixed assets for taxes, and the carryforward of net operating losses to offset future income.

**Note 2: MARKETABLE SECURITIES, AT MARKET**

The Company purchases marketable securities for long-term investments and trading. The Company considers its marketable securities as trading marketable securities, as defined by FASB 115, *Accounting For Certain Investments in Debt and Equity Securities*. Accordingly, unrealized gains (losses) on investments are included in the profit and loss statement.

The market values consisted of the following at quoted market values:

Stocks	\$ 51,621
Obligation of U.S. Government	<u>106,938</u>
Total	<u>\$ 158,559</u>

The gross unrealized loss of \$166,732 is included in net inventory and investment gains (losses).

**Note 3: RECEIVABLE - OTHER**

Receivable - other consists of advances made to employees. These advances are unsecured, non-interest bearing and due on demand.

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note 4: FURNITURE & EQUIPMENT, NET**

Furniture & equipment is stated at cost and summarized by major classification as follows:

		<u>Depreciable Life Years</u>
Furniture & fixtures	\$ 102,612	7-10
Machinery & equipment	<u>173,683</u>	3-5
	276,295	
Less: Accumulated depreciation	<u>(246,703)</u>	
Furniture & equipment, net	<u>\$ 29,592</u>	

Depreciation expense for the year ended September 30, 2008, was \$18,816.

**Note 5: INCOME TAXES**

The components of the provision for income taxes are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
States tax expense (benefit)	\$ 800	\$ 17,788	\$ 18,588
Federal tax expense (benefit)	<u>—</u>	<u>(6,268)</u>	<u>(6,268)</u>
Total tax expense (benefit)	<u>\$ 800</u>	<u>\$ 11,520</u>	<u>\$ 12,320</u>

The Company has available at September 30, 2008, certain Federal and State Net Operating Losses (NOL's), which can be carried forward to offset future taxable income. The Federal NOL's expire in 20 years and the states NOL's expire in three (3) to five (5) years. The Federal NOL's produce a deferred tax asset of approximately \$24,978 and the States NOL's produce a deferred tax asset of approximately \$17,398.

**Note 6: COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company entered into a lease agreement for office space under a non-cancelable lease which commenced March 10, 2005, and expires March 10, 2010. This lease was amended and extended to April 30, 2010. This lease contains provisions for rent escalation based on increases in certain costs incurred by the lessor.

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note 6: COMMITMENTS AND CONTINGENCIES**  
**(Continued)**

Future minimum lease payments under the lease are as follows:

<u>September 30,</u>	<u>Amount</u>
2009	\$ 74,038
2010	52,300
2011 & thereafter	<u>—</u>
Total	<u>\$ 126,338</u>

Rent expense for the year ended September 30, 2008, was \$73,356.

*Contingencies*

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000, or the Securities Investor Protection Corporation ("SIPC"), up to \$500,000. Effective October 3, 2008, the FDIC insurance limit was increased to \$250,000. This new limit is applicable through December 31, 2009.

At times during the year ended September 30, 2008, cash balances held in financial institutions were in excess of the FDIC and SIPC's insured limits. The Company has not experienced any losses in these accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

The Company has a rent deferral amount of \$8,365, which is due at the end of the lease term. However, this amount will be due immediately if the Company defaults on the terms of the lease agreement.

**Note 7: RELATED PARTY TRANSACTIONS**

The Company's sole shareholder owns 100% of JHL Holdings Company. In addition, the Company's sole shareholder and JHL Holdings Company are the only two members of Equibond, LLC. Prophecy Partners, LP is a hedge fund managed by Equibond, LLC. Both the Company's sole shareholder and Equibond, LLC are limited partners of Prophecy Partners, LP. Prophecy Partners, LP has a customer account with the Company. For the year ended September 30, 2008, the Company earned \$312,114 in commissions from trades executed for the Prophecy Partners, LP account .

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note 8: 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 9: RECENTLY ISSUED ACCOUNTING STANDARDS**

*Accounting for Certain Hybrid Financial Instruments*

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140." The statement allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) as long as the entire instrument is valued on a fair value basis. SFAS 155 also resolves and clarifies other specific issues contained in SFAS 133 and 140. The statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after December 15, 2006. The adoption of SFAS 155 has not had a material impact upon the Company's financial statements.

*Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued Financial Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109." which 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. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position if it is more likely than not that such position will be sustained on audit based on its technical merits. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of the provisions of FIN 48 for all nonpublic companies has been postponed to fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note 9: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

*Fair Value Measurements*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (“SFAS 157”), “Fair Value Measurements”. The statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect the pronouncement will have a material impact upon the Company’s financial statements.

*Retirement Plans*

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. Adoption of the new standard has not had a material effect on the Company’s financial statements.

*Fair Value Option*

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (“SFAS 159”), “Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115”. SFAS 159 is expected to expand the use of fair value accounting but does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of this pronouncement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date.

**Equibond, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note 9: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

**Note 10: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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 September 30, 2008, the Company had net capital of \$273,938, which was \$173,938 in excess of its required net capital of \$100,000; and the Company's ratio of aggregate indebtedness (\$40,178) to net capital was 0.15 to 1, which is less than the 15 to 1 maximum ratio allowed.

**Note 11: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$2,243 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		\$ 271,695
Adjustments:		
Accumulated deficit	\$ (33,270)	
Non-allowable assets	33,270	
Haircuts on US T-note	1,069	
Undue concentration	<u>1,174</u>	
Total adjustments		<u>2,243</u>
Net capital per audited statements		<u>\$ 273,938</u>

**Equibond, Inc.**  
**Schedule I-Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of September 30, 2008**

**Computation of net capital**

**Stockholder's equity**

Common stock	\$ 50,000	
Additional paid-in capital	647,000	
Accumulated deficit	<u>(303,811)</u>	
<b>Total stockholder's equity</b>		<b>\$ 393,189</b>

Less: Non-allowable assets

Receivable - other	(30,000)	
Furniture and equipment, net	(29,592)	
Deposits	(6,276)	
Deferred income tax assets	(42,376)	
Other assets	<u>(600)</u>	
<b>Total non-allowable assets</b>		<b><u>(108,844)</u></b>

**Net capital before haircuts** 284,345

Less: Haircuts on securities

Haircut on marketable securities	<u>(10,407)</u>	
<b>Total haircuts</b>		<b><u>(10,407)</u></b>

**Net capital** 273,938

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 2,679	
Minimum dollar net capital required	\$ 100,000	
<b>Net capital required (greater of above)</b>		<b><u>(100,000)</u></b>

**Excess net capital** **\$ 173,938**

Ratio of aggregate indebtedness to net capital 0.15: 1

There is a \$2,243 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated September 30, 2008. See Note 11.

*See independent auditor's report.*

**Equibond, Inc.**  
**Schedule II-Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of September 30, 2008**

A computation of reserve requirement is not applicable to Equibond, Inc., as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report.*

**Equibond, Inc.**  
**Schedule III-Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of September 30, 2008**

Information relating to possession or control requirements is not applicable to Equibond, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report.*

**Equibond, Inc.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended September 30, 2008**

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

Board of Directors  
Equibond, Inc.:

In planning and performing our audit of the financial statements of Equibond, Inc. (the Company), as of and for the year ended September 30, 2008, 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 17a-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 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 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 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 September 30, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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 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  
November 26, 2008

**END**