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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
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 10/01/07 AND ENDING 09/30/08  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Little and Company Investment Securities

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

211 West Wall Street

(No. and Street)

Midland

TX

79701

(City)

(State)

(Zip Code)

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

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

CF & Co., L.L.P.

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

14175 Proton Rd.

Dallas

TX

75244

(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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**THOMSON REUTERS**

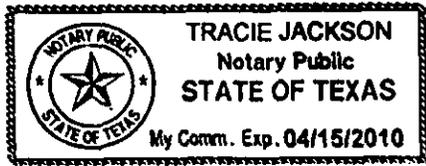
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Glenn A. Little, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Little and Company Investment Securities, 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:

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



*Glenn A. Little*  
Signature  
President  
Title

*Tracie Jackson*  
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 Cash Flows
- (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath 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.
- (o) Independent auditor's report on internal control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

LITTLE AND COMPANY INVESTMENT SECURITIES

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED SEPTEMBER 30, 2008

## LITTLE AND COMPANY INVESTMENT SECURITIES

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*CF & Co., L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Little and Company Investment Securities

We have audited the accompanying statement of financial condition of Little and Company Investment Securities as of September 30, 2008, and the related statements of income, changes in stockholder's 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 Little and Company Investment Securities, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'CF &amp; Co., L.L.P.', is written over a horizontal line.

CF & Co., L.L.P.

Dallas, Texas  
November 24, 2008

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Financial Condition

September 30, 2008

**ASSETS**

Cash and cash equivalents	\$ 153,717
Receivable from broker-dealers and clearing organizations	1,128,202
Property and equipment, net of accumulated depreciation	102,769
Artwork	48,579
	<u>48,579</u>
	<u>\$ 1,433,267</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accrued pension liability	\$ 106,850
Accrued federal and state income taxes payable	17,025
Deferred federal income tax	5,195
	<u>5,195</u>
Total liabilities	<u>129,070</u>

**Stockholder's equity**

Common stock, 1,000,000 shares authorized with \$1 par value, 27,721 shares issued and outstanding	27,721
Retained earnings	1,276,476
	<u>1,276,476</u>
Total stockholder's equity	<u>1,304,197</u>
	<u>\$ 1,433,267</u>

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

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Income

For the Year Ended September 30, 2008

**Revenues**

Securities commissions	\$ 242,933
Realized gain on firm securities trading accounts	85,831
Interest income	30,939
Other	<u>56,024</u>
	<u>415,727</u>

**Expenses**

Registered representatives compensation	61,800
Pension expense	143,142
Salaries	154,933
Communications	24,614
Occupancy and equipment costs	13,674
Promotional costs	1,676
Regulatory fees and expenses	20,348
Other expenses	<u>8,696</u>
	<u>428,883</u>

Net loss before income taxes	(13,156)
Federal income tax benefit	5,455
State income tax expense	<u>(2,387)</u>
Net loss	<u>\$ (10,088)</u>

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

LITTLE AND COMPANY INVESTMENT SECURITIES  
Statement of Changes in Stockholder's Equity  
For the Year Ended September 30, 2008

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at September 30, 2007	\$ 27,721	\$ 1,286,564	\$ 1,314,285
Net loss	<u>--</u>	<u>(10,088)</u>	<u>(10,088)</u>
Balances at September 30, 2008	<u>\$ 27,721</u>	<u>\$ 1,276,476</u>	<u>\$ 1,304,197</u>

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

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Changes in Liabilities  
Subordinated to Claims of General Creditors  
For the Year Ended September 30, 2008

Subordinated liabilities at September 30, 2007	\$	--
Increases		--
Decreases		--
		<hr/>
Subordinated liabilities at September 30, 2008	\$	<u><u>--</u></u>

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

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Cash Flows

For the Year Ended September 30, 2008

**Cash flows from operating activities:**

Net loss	\$ (10,088)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	3,204
Changes in operating assets and liabilities:	
Decrease in receivables from broker-dealers and clearing organizations	10,349
Decrease in prepaid assets	36,292
Increase in accrued pension liability	106,850
Increase in income taxes liability	8,232
Decrease in deferred federal income tax liability	<u>(16,825)</u>
Net cash provided (used) by operating activities	<u>138,014</u>

**Cash flows from investing activities:**

Purchase of artwork	<u>(1,978)</u>
Net cash provided (used) by investing activities	<u>(1,978)</u>

**Cash flows from financing activities:**

Net cash provided (used) by financing activities	<u>--</u>
Net increase in cash and cash equivalents	136,036
Cash and cash equivalents at beginning of year	<u>17,681</u>
Cash and cash equivalents at end of year	<u><u>\$ 153,717</u></u>

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

## LITTLE AND COMPANY INVESTMENT SECURITIES

### Notes to Financial Statements

September 30, 2008

Note 1 - Organization and Operation

Little and Company Investment Securities (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority (FINRA). The Company operates under (SEC) Rule 15c3-3 (k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be handled by a correspondent broker-dealer. Receivables from brokers and dealers are due from the Company's correspondent. Approximately, 95% of the Company's commission business is with customers located in the Midland/Odessa metroplex.

Note 2 - Accounting Policies Followed by the Company

#### **Securities Transactions and Valuations**

Security transactions are recorded on a trade date basis. Commission income and expenses are recorded on a settlement date basis, generally the third business day following the transaction. If materially different, commission income and expenses are recorded on a trade date basis.

#### **Property and Equipment**

Property and equipment are stated at cost. Property and equipment are depreciated using an accelerated method over the estimated useful lives of five to seven years. The building is depreciated over 39 years using a straight-line method.

#### **Accounting Estimates**

The preparation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

LITTLE AND COMPANY INVESTMENT SECURITIES

Notes to Financial Statements

September 30, 2008

Note 2 - Accounting Policies Followed by the Company, continued

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting.

**Other**

Advertising costs are expensed as incurred. Advertising expenditures for the year ended September 30, 2008 were \$1,676.

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

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

Note 3 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

At September 30, 2008, the Company had net capital of approximately \$1,130,685 and net capital requirements of \$250,000. The Company's ratio of aggregate indebtedness to net capital was .11 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

Note 4 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

LITTLE AND COMPANY INVESTMENT SECURITIES  
Notes to Financial Statements  
September 30, 2008

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Furniture and equipment	\$ 133,436
Building and improvements	126,691
Land	<u>25,000</u>
Total	285,127
Less: accumulated depreciation	<u>(182,358)</u>
	<u>\$ 102,769</u>

Depreciation expense for the year ended September 30, 2008 was \$3,204.

Note 6 - Concentration of Risk

The Company had cash balances in excess of Federally insured limits of \$100,000 at various times throughout the year ended September 30, 2008.

Note 7 - Commitments and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At September 30, 2008, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 8 - Defined Benefit Pension Plan

The Company has a defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and an employee's average monthly compensation. The Company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. The following tables provide further information about the Plan:

LITTLE AND COMPANY INVESTMENT SECURITIES  
Notes to Financial Statements  
September 30, 2008

Note 8 - Defined Benefit Pension Plan, continued

	<u>Pension Benefits</u>
Fair value of Plan assets at September 30, 2008	\$ 503,563
Benefit obligation at September 30, 2008	<u>715,712</u>
Funded status	<u>\$ (212,149)</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u>\$ -0-</u>
Expected contribution	\$ 100,000
Net periodic benefit cost	\$ 143,142
Cumulative employer contributions	\$ 630,161
Expected benefits to be paid in next 5 years	\$ -0-
Expected benefits to be paid thereafter	\$ 756,293

\* The employer made the \$100,000 contribution to the Plan in October 2008.

The basis used to determine the overall expected long-term rate of return on assets is based on several factors including historical returns and other factors that are pertinent to an understanding of the strategies of the Company. These factors are as follows:

Weighted-average assumption as of September 30, 2008:	
Discount rate	7.0%
Expected return on Plan assets:	
To retirement	7.0%
After retirement	7.0%
Rate of compensation increase	None

The basis used to determine the target allocation percentages and other factors that are pertinent to understanding the strategies of the Plan are set by the Company. At September 30, 2008, there was not a significant difference between target allocation percentages and actual plan asset allocations. At September 30, 2008, Plan assets were allocated as follows:

Asset Category:	
Equity securities	<u>100%</u>

LITTLE AND COMPANY INVESTMENT SECURITIES

Notes to Financial Statements

September 30, 2008

Note 9 - Restatement of Prior Year

There was an error in the actual report related to the defined benefit pension plan where the prepaid pension expense was understated by \$ 74,863 for the fiscal year ended September 30, 2007. The effect is as follows:

Retained earnings as stated		\$1,348,981
Overstatement of pension plan prepaid	\$ 74,863	
Less tax effect	<u>(12,446)</u>	<u>(62,417)</u>
Retained earnings at September 30, 2007 as corrected		<u>\$1,286,564</u>

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934  
As of September 30, 2008

**Schedule I**

**LITTLE AND COMPANY INVESTMENT SECURITIES**

**Computation of Net Capital Under Rule 15c3-1**

**of the Securities and Exchange Commission**

**As of September 30, 2008**

**COMPUTATION OF NET CAPITAL**

Total stockholder's equity qualified for net capital		\$ 1,304,197
Deductions and/or charges		
Non-allowable assets:		
Property and equipment	\$ 102,769	
Artwork	48,579	(151,348)
		<u>                    </u>
Net capital before haircuts on securities positions		1,152,849
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f)):		
Other securities		<u>(22,164)</u>
Net capital		<u><u>\$ 1,130,685</u></u>

**AGGREGATE INDEBTEDNESS**

Accrued pension liability	\$ 106,850
Income taxes payable	17,025
Deferred federal income tax	<u>5,195</u>
Total aggregate indebtedness	<u><u>\$ 129,070</u></u>

**Schedule I (continued)**

**LITTLE AND COMPANY INVESTMENT SECURITIES**

**Computation of Net Capital Under Rule 15c3-1**

**of the Securities and Exchange Commission**

**As of September 30, 2008**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 8,609</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 250,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 250,000</u>
Net capital in excess of required minimum	<u>\$ 880,685</u>
Excess net capital at 1000%	<u>\$ 1,117,778</u>
Ratio: Aggregate indebtedness to net capital	<u>0.11 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

The following serves to reconcile differences in the computation of net capital under Rule 15c3- from the Company's computation:

Net capital, as reported in Company's (unaudited) Focus report	\$1,243,577
Restatement of 2007 prepaid pension of related tax effect	(62,417)
Additional accrued related to pension plan and related tax effect	(28,311)
Haircut on money market position	<u>(22,164)</u>
Net capital per audited report	<u>\$1,130,685</u>

**Schedule II**

LITTLE AND COMPANY INVESTMENT SECURITIES  
Computation for Determination of Reserve Requirements Under  
Rule 15c3-3 of the Securities and Exchange Commission  
As of September 30, 2008

**EXEMPTIVE PROVISIONS**

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Pershing, a division of Donaldson, Lufkin, Jenrette

Independent Auditor's Report

on Internal Control

Required by SEC Rule 17a-5

Year Ended September 30, 2008



**CF & Co., L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5

The Board of Directors  
Little and Company Investment Securities

In planning and performing our audit of the financial statements and supplemental information of Little and Company Investment Securities (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 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 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 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 judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial

14175 Proton Road • Dallas, Texas 75244-3604 • Phone: 972-387-4300 • 800-834-8586 • Fax 972-960-2810 • [www.cflp.com](http://www.cflp.com)

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CPAMERICA INTERNATIONAL AN AFFILIATE OF HORWATH INTERNATIONAL AND  
THE INTERNATIONAL ACCOUNTING GROUP (TIAG)

statements in conformity with 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, 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 is not intended to be and should not be used by anyone other than these specified parties.



CF & Co., L.L.P.

Dallas, Texas  
November 24, 2008

**END**