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

SEC FILE NUMBER
8- 41674

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, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: E.J. De La Rosa & Co., Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

10866 Wilshire Blvd., Suite 1650

(No. and Street)

Los Angeles

California

90024

(City)

(State)

(Zip Code)

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

Arthur Raitano

(310) 207-1975

(Area Code - Telephone No.)

**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

91324

(Address)

(City)

(State)

Zip Code

**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 (3-91)

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OATH OR AFFIRMATION

I, Arthur Raitano, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of E.J. De La Rosa & Co., Inc., as of December 31, 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 to (or affirmed) to before me this 22ND day of JAN, 2009 by ARTHUR RAITANO proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

*[Signature]*  
Signature  
*[Title]*  
Title

*[Signature]*  
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 ~~Financial Condition~~ 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.

\*\*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  
E. J. De La Rosa & Co., Inc.:

We have audited the accompanying statements of financial condition of E. J. De La Rosa & Co., Inc. (the Company) as of December 31, 2008, and the related statements of income, 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 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 E. J. De La Rosa & Co., Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year 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  
February 26, 2009

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

**E. J. De La Rosa & Co., Inc.**  
**Statements of Financial Condition**  
**December 31, 2008**

**Assets**

Cash and cash equivalents	\$ 3,226,948
Accounts receivable	563,212
Marketable securities, at market value	7,413
Municipal bonds owned, at market value	53,815,034
Receivables from related parties	206,725
Accrued municipal bond interest	333,127
Property, equipment and leasehold improvements, net	877,042
Prepaid expenses	250,549
Secured demand notes	<u>4,617,759</u>
<b>Total assets</b>	<b><u>\$ 63,897,809</u></b>

**Liabilities and Stockholders' Equity**

**Liabilities**

Accounts payable	\$ 359,635
Payable to clearing organization	49,797,803
Accrued wages	2,398,057
Profit sharing contribution payable	936,077
Payroll taxes payable	37,848
Income taxes payable	45,001
Subordinated liabilities	5,916,460
Long-term note payable	<u>7,402</u>
<b>Total liabilities</b>	<b>59,498,283</b>

**Stockholders' equity**

Common stock, no par value; authorized 150,000 shares; 43,667 issued and outstanding	440,190
Contributed capital	50,000
Retained earnings	<u>3,909,336</u>
<b>Total stockholders' equity</b>	<b><u>4,399,526</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 63,897,809</u></b>

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

**E. J. De La Rosa & Co., Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2008**

**Revenues**

Underwriting income	\$ 15,511,658
Remarketing	2,405,605
Financial advisory fees	299,598
Interest and dividends	2,857,045
Net dealer inventory and investment gains (losses)	(7,434)
Other income	<u>4,127,674</u>

**Total revenues** 25,194,146

**Expenses**

Employee compensation and benefits	13,981,944
Underwriting fees	1,123,067
Communications	89,377
Occupancy and equipment rental	401,924
Interest	2,304,326
Other operating expenses	<u>3,371,285</u>

**Total expenses** 21,271,923

**Net income (loss) before income tax provision** 3,922,223

**Income tax provision** 46,346

**Net income (loss)** \$ 3,875,877

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

**E. J. De La Rosa & Co., Inc.**  
**Statements of Changes in Stockholders' Equity**  
**For the Year Ended December 31, 2008**

	<u>Common Stock</u>	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2007	\$ 550,004	\$ 50,000	\$ 2,516,766	\$ 3,116,770
Redemption of stock	(109,814)	-	-	(109,814)
Distributions	-	-	(2,483,307)	(2,483,307)
Net income (loss)	<u>-</u>	<u>-</u>	<u>3,875,877</u>	<u>3,875,877</u>
Balance at December 31, 2008	<u>\$ 440,190</u>	<u>\$ 50,000</u>	<u>\$ 3,909,336</u>	<u>\$ 4,399,526</u>

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

**E. J. De La Rosa & Co., Inc.**  
**Statements of Changes in Liabilities Subordinated**  
**to the Claims of General Creditors**  
**For the Year Ended December 31, 2008**

	<u>Subordinated Debt</u>
Balance at December 31, 2007	\$ 5,205,658
Additions	3,224,000
(Reductions)	<u>(2,513,198)</u>
Balance at December 31, 2008	<u>\$ 5,916,460</u>

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

**E. J. De La Rosa & Co., Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

**Cash flows from operating activities:**

Net income (loss)	\$ 3,875,877
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	\$ 123,535
Valuation of marketable securities to market	7,434
(Increase) decrease in:	
Accounts receivable	(49,483)
Municipal bonds, owned at market value	(25,857,281)
Accrued municipal bond interest	(333,127)
Prepaid expenses	30,866
Receivable from related parties	87,735
(Decrease) increase in:	
Accounts payable	(649,186)
Payable to clearing organization	22,892,030
Commissions payable	454,180
Accrued wages	95,967
Payroll taxes payable	(1,810)
Income taxes payable	<u>40,290</u>
Total adjustments	<u>(3,158,850)</u>
<b>Net cash and cash equivalents provided by (used in) operating activities</b>	<b>717,027</b>

**Cash flows from investing activities:**

Purchase of property, equipment, and leasehold improvements	<u>(21,566)</u>
<b>Net cash and cash equivalents provided by (used in) investing activities</b>	<b>(21,566)</b>

**Cash flows from financing activities:**

Loans made to related parties	710,802
Payment of long-term note payable	(10,376)
Distributions	(2,483,307)
Redemption of stock	<u>(109,814)</u>
<b>Net cash and cash equivalents provided by (used in) financing activities</b>	<b><u>(2,603,497)</u></b>

<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,908,036)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>5,134,984</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u><u>\$ 3,226,948</u></u></b>

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

**E. J. De La Rosa & Co., Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

**Supplemental disclosure of cash flow information:**

Cash paid during the period for:

Interest	\$2,304,326
Income taxes	\$ 6,056

**Supplemental disclosure of non-cash financing activities:**

During the year ended December 31, 2008, the Company extended, issued and retired several subordinated liabilities for a net of \$710,802. These subordinated liabilities are collateralized by secured demand notes. (See Note 7).

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

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

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

*General*

E. J. De La Rosa & Co., Inc. (the "Company") was incorporated in the State of California on June 2, 1989. The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934, a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC") and the Municipal Securities Rulemaking Board ("MSRB"). In September 1990, the Company commenced securities transactions emphasizing municipal bond placements, also offering consulting services to local government predominantly in California. The Company has two locations in California.

The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by another broker-dealer. The Company does not hold customer funds and/or securities.

*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. The Company also includes money market accounts as cash equivalents.

Accounts receivable are 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. Municipal bonds owned are valued at market value. Marketable securities owned by the Company are accounted for at market value, with market value based on current published market prices. The resulting difference between cost and market (or fair value) is included in income.

Underwriting fees are recorded at the time the underwriting is completed and the income is reasonably determined. Remarketing income is recorded when earned.

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

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

Property, equipment and leasehold improvements 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. Property, equipment and leasehold improvements are depreciated over their estimated useful lives ranging from five (5) to thirty-nine years (39) years by the straight-line method.

Marketing costs are expensed as incurred. For the year ended December 31, 2008, the Company charged \$128,208 to other operating expenses for marketing costs.

The Company, with the consent of its Stockholders, has elected to be an S Corporation and, accordingly, has its income taxed under Sections 1361-1379 of the Internal Revenue Code. Subchapter S of the Code provides that the Stockholders, rather than the Company, is subject to tax on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar regulations, although there exists a provision for a minimum Franchise Tax of \$800 and a tax rate of 1.5% over the minimum.

The Company has elected to report the statement of changes in stockholders' equity without disclosing the accumulated adjustment account and other equity accounts pertinent to an S Corporation. There is no financial impact to these financial statements.

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

The marketable securities, at market value consist of corporate stocks. These securities were offered primarily to NASD members and purchased through a Private Placement Memorandum. At December 31, 2008, the stocks are recorded at their fair market value of \$7,413. The accounting for the mark-to-market on the proprietary trading is included in net dealer inventory and investment gains (losses) account as net unrealized loss of \$7,434.

**Note 3: MUNICIPAL BONDS OWNED, AT MARKET VALUE**

Municipal bonds owned, at market value consist of municipal bonds in which the Company has taken positions. These positions are often short-term, and obtained by credit from the clearing organization. At December 31, 2008, the Company had municipal bond positions of \$53,815,034.

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 4: PAYABLE TO CLEARING ORGANIZATION**

As discussed in the Municipal Bonds Owned, At Market Value (Note 3), the Company acquired its municipal bond positions using credit extended from the clearing organization. At December 31, 2008, the credit balance payable to clearing organization was \$49,797,803. Since this liability is collateralized by the municipal bond positions, it is not included in aggregate indebtedness for purpose of SEC Rule 15c3-1(c)(1).

**Note 5: PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET**

Property, equipment and leasehold improvements are stated at cost and summarized by major classifications as follows:

Property, equipment and leasehold improvements excluding assets under capital lease

		<u>Depreciable Life Years</u>
Automobiles	\$ 44,717	5
Computer software	174,779	3
Furniture & fixture	291,296	7
Office equipment	441,712	7
Leasehold improvements	<u>664,041</u>	39
	1,616,545	
Less accumulated depreciation	<u>(751,107)</u>	
Property, equipment & leasehold improvements excluding assets under capital lease, net	<u>865,438</u>	

Property, equipment and leasehold improvements including assets under capital lease

Automobile	38,680	5
Less accumulated depreciation	<u>(27,076)</u>	
Property, equipment & leasehold improvements including assets under capital lease, net	<u>11,604</u>	
Property, equipment and leasehold improvements, net	<u>\$ 877,042</u>	

Depreciation expense for the year ended December 31, 2008, was \$123,535.

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 6: SECURED DEMAND NOTES**

The secured demand notes of \$4,617,759 and the cash deposit of \$1,298,701 at December 31, 2008, are collateral for the subordinated liabilities (see Note 7). The secured demand notes are primarily collateralized with municipal bonds whose fair market value is in excess of the value of the notes. The stockholders own the municipal bonds, and intend to hold them to maturity as long as the subordinated liabilities exist.

**Note 7: SUBORDINATED LIABILITIES**

Borrowings under the subordination agreements at December 31, 2008 are \$4,617,759 with maturity dates ranging from June 1, 2009 to June 30, 2011. The loans under these agreements bear interest rates that average 13% per annum. The liabilities subordinated to the secured demand note and cash collateral agreements were \$5,916,460 and have maturity dates that approximate the maturity dates for the borrowings. They bear interest at an average rate of 12%.

Interest expense for the year ending December 31, 2008 for these subordinated loans was \$667,885.

The subordinated borrowings are covered by agreements approved by the Financial Industry Regulatory Authority 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, the borrowings may not be repaid.

The secured demand notes at December 31, 2008, of \$4,617,759 are collateralized by cash and municipal bonds valued, net of haircuts, at \$6,646,797. The collateral securing the demand notes is as follows:

<u>Description</u>	<u>Fair Market Value</u>	<u>Value Net of Haircuts</u>
At December 31, 2008		
Cash and marketable securities	\$ 6,760,805	\$6,646,797

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 8: RECEIVABLES FROM RELATED PARTIES**

The receivables from related parties include \$206,725 of expenses paid on behalf of entities that share common ownership with the Company. This receivable is unsecured, non-interest bearing and due on demand.

**Note 9: INCOME TAXES**

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the Subchapter S Corporation tax status, therefore no federal income tax provision is provided. The State of California recognizes Subchapter S Corporations for state tax purposes. However, the state imposes a 1.5 % tax on the net income and a minimum Franchise Tax of \$800, whichever is greater. For the year ended December 31, 2008, the state income tax provision totaled \$46,346.

**Note 10: LONG-TERM NOTE PAYABLE**

Long-term note payable consists of an automobile loan payable. The payable is collateralized by an automobile with a net book value of \$11,604. (See Note 5).

Total interest expense on this loan was \$3,280 for the year ended December 31, 2008.

Future minimum principal payments on this loan are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2009	\$ 7,402
2010 & thereafter	<u>—</u>
	<u>\$ 7,402</u>

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 11: PROFIT SHARING, 401(k) AND CASH BALANCE PENSION PLAN**

The Company's profit sharing plan covers all eligible employees of the Company. The plan was effective on May 1, 1990 and was amended on April 15, 2004, to include a 401(k) plan. All contributions to the plan are made at the discretion of the Company. Total contributions made for the year ended December 31, 2008, were \$540,468.

On May 1, 2002, the Company initiated a cash balance pension plan which requires the company to make minimum pension contributions for the officers and the employees. This plan requires the Company to contribute at least \$231,000 plus, 3% of compensation less the first 3 % of the allocated profit sharing contribution, to its officers, and the greater of \$100 or, 3% of compensation less the first 3% of the allocated profit sharing contribution, to its employees. Total contributions for the year ended December 31, 2008, were \$395,609.

**Note 12: COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company has entered into an operating lease agreement and a sublease agreement, for two office spaces in Los Angeles under a noncancellable lease which commenced in September 1, 2006 and expires on August 31, 2013. The Company also entered into an operating lease agreement for an office space in San Francisco under a noncancellable lease which commenced in November 4, 2006 and expires on January 31, 2014.

The future minimum lease expenses are:

<u>December 31,</u>	
2009	\$ 395,644
2010	409,766
2011	424,285
2012	439,215
2013	354,592
Thereafter	—
	<u>\$ 2,023,502</u>

Total rent expense for the year ended December 31, 2008, was \$401,924.

The Company entered into a sublease agreement on office space that it was leasing in San Francisco. The San Francisco sublease commenced on October 4, 2006, and expired on February 29, 2008. The rental income from the subleases for the year ending December 31, 2008, was \$8,111.

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 12: COMMITMENTS AND CONTINGENCIES**  
**(Continued)**

*Contingencies*

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

At times during the year ended December 31, 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.

**Note 13: RECENTLY ISSUED ACCOUNTING STANDARDS**

For the year ending December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following Financial Interpretation ("FIN") and Statements of Financial Accounting Standards ("SFAS") for the year to determine relevance to the Company's operations:

<u>Statement Number</u>	<u>Title</u>	<u>Effective Date</u>
FIN 48	Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109	After 12/15/07
SFAS 141(R)	Business Combinations	After 12/15/08
SFAS 157	Fair Value Measurements	After 12/15/07
SFAS 160	Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51	After 12/15/07
SFAS 161	Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133	After 12/15/08

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

**E. J. De La Rosa & Co., Inc.**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 14: 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 December 31, 2008, the Company had net capital of \$6,385,959, which was \$6,133,691, in excess of its required net capital of \$252,268 and the Company's ratio of aggregate indebtedness (\$3,784,020) to net capital was 0.59 to 1, which is less than the 15 to 1 maximum ratio allowed of a broker/dealer.

**E. J. De La Rosa & Co., Inc.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**For the Year Ended December 31, 2008**

**Computation of net capital**

**Stockholders' equity**

Common stock	\$ 440,190	
Contributed capital	50,000	
Retained earnings	<u>3,909,336</u>	
<b>Total stockholders' equity</b>		<b>\$ 4,399,526</b>
Add: Additions to capital		
Subordinated liabilities	<u>5,916,460</u>	
Total allowable subordinated liabilities		<u>5,916,460</u>
Total stockholders' equity and allowable subordinated liabilities		10,315,986
Less: Non-allowable assets		
Accounts receivable, non allowable portion	(505,384)	
Accrued interest receivable, non allowable portion	(199,369)	
Property, equipment and leasehold improvements, net	(877,042)	
Prepaid expenses	(250,549)	
Receivables from related parties	<u>(206,725)</u>	
Total non-allowable assets		<u>(2,039,069)</u>
<b>Net capital before haircuts and undue concentration</b>		<b>8,276,917</b>
Less: Haircuts and undue concentration		
Haircuts on securities	(1,546,432)	
Haircuts on money markets	(32,040)	
Undue concentration	<u>(312,486)</u>	
Total haircuts on securities and undue concentration		<u>(1,890,958)</u>
<b>Net capital</b>		<b>6,385,959</b>

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 252,268	
Minimum dollar net capital required	\$ 100,000	
Net capital required (greater of above)		<u>(252,268)</u>

**Excess net capital** \$ 6,133,691

Ratio of aggregate indebtedness to net capital 0.59:1

There was no material difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 reports dated December 31, 2008.

*See independent auditor's report.*

**E. J. De La Rosa & Co., Inc.**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**For the Year Ended December 31, 2008**

A computation of reserve requirements is not applicable to E. J. De La Rosa & Co., Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report.*

**E. J. De La Rosa & Co., Inc.**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**For the Year Ended December 31, 2008**

Information relating to possession or control requirements is not applicable to E. J. De La Rosa & Co., Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report.*

**E. J. De La Rosa & Co., Inc.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2008**

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

Board of Directors  
E. J. De La Rosa & Co., Inc.:

In planning and performing our audit of the financial statements of E. J. De La Rosa & Co., Inc. (the Company), as of and for the year ended December 31, 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 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 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 December 31, 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.  
Certified Public Accountants

Northridge, California  
February 26, 2009