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

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

SEC FILE NUMBER  
8- 28580 SEC  
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Section

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AUG 28 2009

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

Washington, DC  
122

REPORT FOR THE PERIOD BEGINNING January 1, 2009 AND ENDING June 30, 2009  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Mutual Securities, Inc.

OFFICIAL USE ONLY

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

FIRM ID. NO.

28632 Roadside Drive, Suite 200

(No. and Street)

Agoura Hills

California

91301

(City)

(State)

(Zip Code)

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

Mitch Voss

(818) 706-8170

(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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Mitch Voss, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mutual Securities, Inc., as of June 30, 2009, 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 4th day of August, 2009 by Mitchell Voss proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

[Signature]
Signature
President
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.**  
C e r t i f i e d P u b l i c A c c o u n t a n t s

Independent Auditor's Report

Board of Directors

Mutual Securities, Inc. of California dba Mutual Securities, Inc.:

We have audited the accompanying statement of financial condition of Mutual Securities, Inc. of California dba Mutual Securities, Inc. (the Company) as of June 30, 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the six months 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 Mutual Securities, Inc. of California dba Mutual Securities, Inc. as of June 30, 2009, and the results of its income and its cash flows for the six months 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  
August 26, 2009

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

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Statement of Financial Condition**  
**June 30, 2009**

**Assets**

Cash and cash equivalents	\$ 1,150,339
Receivables from clearing organization	366,657
Deposit with clearing organization	200,000
Other receivable	8,484
Prepaid expense	74,307
Other assets	<u>200</u>
<b>Total assets</b>	<b><u>\$ 1,799,987</u></b>

**Liabilities and Stockholders' Equity**

**Liabilities**

Accounts payable and accrued expenses	\$ 30,374
Payables to brokers/dealers	393,556
Profit sharing contribution payable	48,072
Securities sold, not yet purchased, at market	<u>7</u>
<b>Total liabilities</b>	<b>472,009</b>

Commitments and contingencies

**Stockholders' equity**

Common stock, no par value, 100,000 shares authorized, 31,216 shares issued and outstanding	23,413
Additional paid-in capital	142,726
Retained earnings	<u>1,161,839</u>
<b>Total stockholders' equity</b>	<b><u>1,327,978</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 1,799,987</u></b>

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

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Statement of Income**  
**For the Six Months Ended June 30, 2009**

**Revenues**

Commissions income	\$ 3,374,731
Mutual fund and direct product	717,101
Insurance and annuity	95,018
Advisory fees	128,541
Interest and dividend	6,837
Other income	<u>130,525</u>
<b>Total revenues</b>	<b>4,452,753</b>

**Expenses**

Employee compensation and benefits	530,307
Commissions and floor brokerage fees	3,283,525
Communication	72,182
Professional fees	76,110
Occupancy and equipment rental	57,444
Other operating expenses	<u>356,208</u>
<b>Total expenses</b>	<b><u>4,375,776</u></b>

**Net income (loss) before income tax provision** 76,977

**Income tax provision** 1,155

**Net income (loss)** \$ 75,822

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

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Statement of Changes in Stockholders' Equity**  
**For the Six Months Ended June 30, 2009**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance at June 30, 2008</b>	\$ 23,413	\$ 142,726	\$ 2,336,017	\$ 2,502,156
Capital distributions	-	-	(1,250,000)	(1,250,000)
Net income (loss)	-	-	75,822	75,822
<b>Balance at June 30, 2009</b>	<u>\$ 23,413</u>	<u>\$ 142,726</u>	<u>\$ 1,161,839</u>	<u>\$ 1,327,978</u>

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

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Statement of Cash Flows**  
**For the Six Months Ended June 30, 2009**

**Cash flow from operating activities:**

Net income (loss)	\$	75,822
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Receivables from clearing organization	\$	26,109
Other receivable		(931)
Prepaid expense		41,790
Other assets		(200)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(102,704)
Payables to brokers/dealers		(188,264)
Profit sharing contribution payable		48,072
Securities sold, not yet purchased, at market		<u>7</u>
Total adjustments		<u>(176,121)</u>
<b>Net cash and cash equivalents provided by (used in) operating activities</b>		<b>(100,299)</b>

**Net cash and cash equivalents provided by (used in) investing activities** -

**Cash flow from financing activities:**

Capital distributions	<u>(1,250,000)</u>	
<b>Net cash and cash equivalents provided by (used in) financing activities</b>		<b><u>(1,250,000)</u></b>

**Net increase (decrease) in cash and cash equivalents** **(1,350,299)**

**Cash and cash equivalents at beginning of year** **2,500,638**

**Cash and cash equivalents at end of year** **\$ 1,150,339**

**Supplemental disclosure of cash flow information:**

Cash paid during the year for:

Interest	\$	-
Income taxes	\$	10,610

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

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

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

*General*

Mutual Securities, Inc. of California dba Mutual Securities, Inc. (the "Company") was incorporated in the State of California on February 4, 1982 under the name Brokers Office Management-Encino, Inc. On November 15, 1982, the Company changed its name to Cowles, Sabol & Company, Incorporated and then changed its name to Mutual Securities, Inc. of California on November 9, 1998. 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"), and the Securities Investor Protection Corporation ("SIPC").

The Company is engaged in business as a securities broker-dealer which provides several classes of services. The majority of its income is earned from agency commissions and equity transactions. Services offered include the retail sale of corporate debt and equity securities, U.S. government and municipal securities, and securities in private placement transactions. Services are also provided as a broker of variable life insurance policies, annuities, options and partnership interests.

Under its membership agreement with FINRA and pursuant to Rule 15c3-3(k)(2)(ii), the Company conducts business on a fully disclosed basis under a clearing agreement and does not execute or clear securities transactions for customers. Accordingly, the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

*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 has defined cash equivalents as highly liquid investments, with original maturities of less than three months, that are not held for sale in the ordinary course of business.

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

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

Receivables from clearing organization represent commissions earned on security transactions. These receivables 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 and related commission revenues and expenses are recorded on a settlement date basis. Accounting principles generally accepted in the United States of America, require transactions to be recorded on a trade date basis, however there is no material difference between trade date and settlement date for the Company.

The Company recognizes its advisory fees on a quarterly basis.

Furniture and 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. The Company has fully depreciated furniture and equipment of \$269,352. Depreciation was computed using an accelerated method for both financial statement and income tax purposes.

The Company has elected to be an S Corporation and accordingly has its income taxed under Section 1361-1379 of the Internal Revenue Code. Subchapter S of the Code provides that in lieu of corporate income taxes, the stockholders are taxed 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 and a tax rate of 1.5% over the minimum franchise fee of \$800.

Certain prior year amounts have been reclassified to conform to the current year's presentation. These changes had no material impact on previously reported results of operations or stockholders' equity

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 2: RECEIVABLES FROM CLEARING ORGANIZATION**

Pursuant to the clearing agreement, the Company introduces all of its securities transactions to clearing brokers on a fully disclosed basis. Customers' money balances and security positions are carried on the books of the clearing brokers. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts. As of June 30, 2009, the receivables from clearing organization of \$366,657 are pursuant to these clearance agreements.

**Note 3: DEPOSIT WITH CLEARING ORGANIZATION**

The Company has a brokerage agreement with National Financial Securities ("Clearing Broker") to carry its account and the accounts of its customer as customers of the Clearing Broker. This Clearing Broker has custody of the Company's cash balances which serve as collateral for any amounts due to the Clearing Broker as well as collateral for securities sold short or securities purchased on margin. Interest is paid monthly on these cash deposits at the average overnight repurchase rate. The balance at June 30, 2009 was \$200,000.

**Note 4: INCOME TAXES**

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the S Corporate tax status, therefore there is no provision for federal income tax. The tax provision included in the financial statements is the California franchise tax of \$1,155.

**Note 5: SECURITIES SOLD, NOT YET PURCHASED**

Marketable securities owned and sold, not yet purchased, consist of trading securities at quoted market values, as follows:

<u>Descriptions</u>	<u>Amount</u>
Mutual funds	\$ <u>7</u>

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 6: CHANGE TO FISCAL YEAR-END**

The Company originally had a December 31st audit year-end. In June of 2009, the Company applied with FINRA to change the audit year end from from December to June 30th and was granted the change on July 8, 2009.

**Note 7: 401(K) PROFIT SHARING PLAN**

The Company has a defined contribution plan ("Plan") covering substantially all of its employees. Employees are required to have attained the age of 21 and to have completed one year of service in order to be eligible to participate in the Plan. The Plan provides that the employer may make matching contributions and/or annual discretionary contributions. For the six months ended June 30, 2009, the Company made \$15,458 in matching contributions and accrued \$15,458 in discretionary contributions.

**Note 8: CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

**Note 9: COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company entered into a lease agreement for office space on October 16, 2002, which was later amended on March 1, 2007. The lease contains provisions for rent escalation based on increases in certain costs incurred by the lessors.

As of June 30, 2009, the minimum annual payments are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 102,102
2011	105,162
2012	108,312
2013	54,954
2014 & thereafter	-
	<u>\$ 370,530</u>

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 9: 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. At times during the six months ended June 30, 2009, 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 such accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

**Note 10: RECENTLY ISSUED ACCOUNTING STANDARDS**

For the six months ending June 30, 2009, 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 No.</u>	<u>Title</u>	<u>Effective Date</u>
FIN 48	Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109	After December 15, 2008
SFAS 141(R)	Business Combinations	After December 15, 2008
SFAS 157	Fair Value Measurements	After December 15, 2007
SFAS 160	Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51	After December 15, 2007
SFAS 161	Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133	After December 15, 2008

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 10: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

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.

**Note 11: 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. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Net capital and aggregate indebtedness change day to day, but on June 30, 2009, the Company had net capital of \$1,230,145 which was \$1,130,145 in excess of its required net capital of \$100,000; and the Company's ratio of aggregate indebtedness (\$472,009) to net capital was 0.38 to 1, which is less than the 15 to 1 maximum allowed.

**Note 12: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a difference of \$1,155 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	\$ 1,228,990
Adjustments:	
Non-allowable assets	<u>\$ 1,155</u>
Total adjustments	<u>1,155</u>
Net capital per audited statements	<u>\$ 1,230,145</u>

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of June 30, 2009**

**Computation of net capital**

Common stock	\$ 23,413	
Additional paid-in capital	142,726	
Retained earnings	<u>1,161,839</u>	
 Total stockholders' equity		 \$ 1,327,978
 Less: Non-allowable assets		
Other receivable	(8,484)	
Prepaid expense	(74,307)	
Other assets	<u>(200)</u>	
Total non-allowable assets		<u>(82,991)</u>
 <b>Net capital before haircuts</b>		 1,244,987
 Less: Haircuts on securities		
Haircut on marketable securities	(1)	
Haircut on money markets	<u>(14,841)</u>	
<b>Total haircuts on securities</b>		<u>(14,842)</u>
 <b>Net Capital</b>		 1,230,145

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 of net aggregate indebtedness	\$ 31,467	
Minimum dollar net capital required	\$ 100,000	
Net capital required (greater of above)		<u>(100,000)</u>
 <b>Excess net capital</b>		 <u>\$ 1,130,145</u>

Ratio of aggregate indebtedness to net capital 0.38 : 1

There was a difference of \$1,155 between net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated June 30, 2009. See Note 12.

*See independent auditor's report*

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Schedule II - Computation for Determining of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of June 30, 2009**

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

*See independent auditor's report*

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Pursuant to Rule 15c3-3**  
**As of June 30, 2009**

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

*See independent auditor's report*

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**

**Supplementary Accountant's Report**

**on Internal Accounting Control**

**Report Pursuant to 17a-5**

**For the Six Months Ended June 30, 2009**

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

Board of Directors

Mutual Securities, Inc. of California dba Mutual Securities, Inc.:

In planning and performing our audit of the financial statements of Mutual Securities, Inc. of California dba Mutual Securities, Inc. (the Company), as of and for the six months ended June 30, 2009, 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.

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

*i*

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 June 30, 2009, 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  
August 26, 2009

**SEC**  
Mail Processing  
Section

AUG 28 2009

Washington, DC  
**122**

**Mutual Securities, Inc. of California dba Mutual Securities, Inc.**

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

**Financial Statements**

**For the Six Months Ended June 30, 2009**