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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 8-41760

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 09/01/08 AND ENDING 8/31/09 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: WESTHOFF, CONE & HOLMSTEDT

OFFICIAL USE ONLY FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box)

500 Ygnacio Valley Road, Suite 380

(No. and Street)

WALNUT CREEK

CA

(City)

(State)

SECURITIES AND EXCHANGE COMMISSION RECEIVED OCT 30 2009 BRANCH OF REGISTRATIONS AND EXAMINATIONS 02 94596

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Anthony E. Cone (925) 472-8740

B. ACCOUNTANT IDENTIFICATION

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

CROPPER ACCOUNTANCY CORPORATION

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

2977 YGNACIO VALLEY ROAD, #460

WALNUT CREEK

CA

94598

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- X 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)

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.

SEC 1410 (06-02)

Handwritten date 11/23

OATH OR AFFIRMATION

I, ANTHONY E. CONE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WESTHOFF, CONE & HOLMSTEDT, A CALIFORNIA CORPORATION, as of AUGUST 31, 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:

NO EXCEPTIONS

Handwritten signature of Anthony E. Cone

Signature

10-29-09

Title

Notary Public

SEE ATTACHED FOR PROPER CALIFORNIA NOTARY ACKNOWLEDGEMENT

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

- X (a) Facing Page.
X (b) Statement of Financial Condition.
X (c) Statement of Income (Loss).
X (d) Statement of Changes in Financial Condition.
X (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
[ ] (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
X (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.
X (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.
X (l) An Oath or Affirmation.
X (m) A copy of the SIPC Supplemental Report.
X (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).

# JURAT WITH AFFIANT STATEMENT

- See Attached Document (notary to cross out lines below)
- See Statement Below (To be completed only by document signer (s), not the notary)

\_\_\_\_\_  
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Signature of Signer # 1

Signature of Signer # 2 (If any)

State of California  
County of Contra Costa

Subscribed and sworn to (or affirmed) before me  
On this 21 day of October, 2009, by

Anthony E. Cal

proved to me on the basis of satisfactory evidence  
to be the person(s) who appeared before me.

[Signature]

Signature of Notary Public



NOTARY SEAL

### OPTIONAL

THOUGH THE INFORMATION BELOW IS NOT REQUIRED BY LAW, IT MAY PROVE TO BE IMPORTANT TO PERSONS RELYING ON THE DOCUMENT AND COULD PREVENT FRAUDULENT REMOVAL AND REATTACHMENT OF THIS FORM TO ANOTHER DOCUMENT

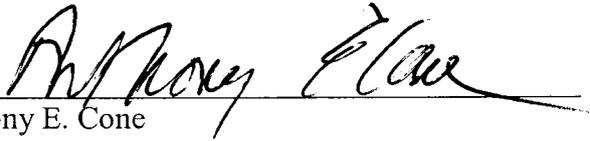
Title or Type of Document: \_\_\_\_\_  
Document Date: \_\_\_\_\_ Number of Pages \_\_\_\_\_  
Signer (s) Other Than Named Above: \_\_\_\_\_

TO THE COMMISSIONER OF CORPORATION OF  
THE STATE OF CALIFORNIA  
VERIFICATION FORM PURSUANT TO  
RULES 260.241.2(b) and 350.535(b)

(Executed Within the State of California)

I, Anthony E. Cone, certify under penalty of perjury, that I have read the foregoing and annexed financial report and supporting schedules and know the contents thereof; that the same are true and correct to my best knowledge and belief; and that neither the license nor any partner, officer, or director thereof have any proprietary interest in any account classified solely as that of a customer.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2009  
at Walnut Creek, California.



Anthony E. Cone  
President  
Westhoff, Cone and Holmstedt

**WESTHOFF, CONE AND HOLMSTEDT**  
**(A California Corporation)**

Financial Statements and Supplementary Information  
Year Ended August 31, 2009

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# Cropper Accountancy Corporation

*Certified Public Accountants*

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2977 Ygnacio Valley Road, #460  
Walnut Creek, California 94598  
Tel: (925) 932-3860  
Fax: (925) 932-3862

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Westhoff, Cone and Holmstedt  
Walnut Creek, California

We have audited the accompanying statement of financial condition of Westhoff, Cone and Holmstedt as of August 31, 2009 and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended. 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 Westhoff, Cone and Holmstedt as of August 31, 2009 and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17A-5 of the Securities and Exchange Commission and others including the Securities Investor Protection Corporation (SIPC). 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.

*Cropper Accountancy Corporation*  
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA  
October 26, 2009

WESTHOFF, CONE AND HOLMSTEDT  
(A California Corporation)  
Statement of Financial Condition  
August 31, 2009

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**ASSETS**

ASSETS:

Cash and cash equivalents	\$ 191,086
Deposit with clearing broker-dealer	136,902
Remarketing fees receivable	215,514
Other receivables	77
Prepaid expenses and deposits	9,468
Furniture and equipment, net of accumulated depreciation of \$33,093	<u>11,298</u>

TOTAL ASSETS \$ 564,345

**LIABILITIES AND STOCKHOLDERS' EQUITY**

LIABILITIES:

Accounts payable and accrued liabilities	\$ 213,356
Remarketing commissions payable	166,057
Income taxes payable	350
Deferred income tax liability	<u>3,400</u>

Total liabilities 383,163

SHAREHOLDERS' EQUITY:

Common stock - no par value; authorized 100,000 shares; issued and outstanding, 27,735 shares	27,735
Retained earnings	<u>153,447</u>

Total shareholders' equity 181,182

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$ 564,345

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

WESTHOFF, CONE AND HOLMSTEDT  
(A California Corporation)  
Statement of Operations  
Year Ended August 31, 2009

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REVENUES:	
Commissions	\$ 14,854
Underwriting	473,304
Remarketing fees	1,178,988
Interest and dividends	44,365
Other	<u>187</u>
 Total revenues	 <u>1,711,698</u>
OPERATING EXPENSES:	
Compensation and benefits	1,376,174
Commission and other brokerage	9,100
Communications	21,511
Occupancy and office	113,752
Promotion and travel	115,782
Regulatory fees	4,304
Professional services	53,169
Depreciation	9,608
Other	<u>2,781</u>
 Total operating expenses	 <u>1,706,181</u>
 INCOME BEFORE INCOME TAXES	 <u>5,517</u>
INCOME TAX EXPENSE:	
Current	6,600
Deferred	<u>(1,100)</u>
Total income tax expense	<u>5,500</u>
 NET INCOME	 <u>\$ 17</u>

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

WESTHOFF, CONE, AND HOLMSTEDT  
(A California Corporation)  
Statement of Changes in Stockholders' Equity  
Year Ended August 31, 2009

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	Common Stock		Retained Earnings	Total
	# Shares	Amount		
BALANCES, BEGINNING OF YEAR	27,735	\$ 27,735	\$ 153,430	\$ 181,165
NET INCOME	-	-	17	\$ 17
BALANCES, END OF YEAR	27,735	\$ 27,735	\$ 153,447	\$ 181,182

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

WESTHOFF, CONE AND HOLMSTEDT  
(A California Corporation)  
Statement of Cash Flows  
Year Ended August 31, 2009

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 17
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	9,608
Changes in operating accounts:	
Receivable from broker-dealer	5,030
Remarketing fees receivable	4,876
Interest receivable	68
Prepaid expenses and deposits	8,145
Accounts payable and accrued liabilities	(47,138)
Remarketing commissions payable	(6,351)
Income taxes payable	(3,945)
Deferred income tax liability	(1,100)
Net cash used in operating activities	<u>(30,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -	
Purchases of furniture and equipment	<u>(9,823)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,613)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>231,699</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 191,086</u>
SUPPLEMENTARY CASH FLOW INFORMATION:	
Income taxes paid	<u>\$ 10,545</u>

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

**WESTHOFF, CONE AND HOLMSTEDT**  
**(A California Corporation)**  
Notes to Financial Statements  
Year Ended August 31, 2009

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**1. General Information and Summary of Significant Accounting Policies**

***The Company***

Westhoff, Cone and Holmstedt (the "Company") was incorporated October 2, 1989 and began business as a broker-dealer in November 1989. The Company is registered as a broker and dealer in securities under the Securities Exchange Act of 1934. It transacts trades in stocks and bonds through brokers on a "fully-disclosed" basis and is a member of Financial Industry Regulatory Authority (FINRA).

The Company's primary business is to underwrite municipal securities.

***Basis of Accounting***

The financial statements are prepared on the accrual basis of accounting wherein income is recognized as earned and expenses are recognized when incurred.

***Furniture and Equipment***

Furniture and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets.

***Securities Transactions***

Transactions are recorded on the accrual basis of accounting (i.e. trade date basis).

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

***Income Taxes***

The Company provides taxes on those due currently and those deferred to future periods as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years. The deferred income tax liability of \$3,400 is due to differences in the timing of deducting depreciation expense and other prepaid expenses.

***Use of 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.

**WESTHOFF, CONE AND HOLMSTEDT**  
**(A California Corporation)**  
Notes to Financial Statements  
Year Ended August 31, 2009

**2. Income Taxes**

The following is a summary of the income taxes for the year ended August 31, 2009:

	<u>Year Ended</u> <u>August 31, 2009</u>		<u>Combined</u> <u>Current</u>	
	State	Federal	Liability	Provision
Net income before taxes	\$ 5,517	\$ 5,517		
Adjustments:				
Excess depreciation, tax over book	(5,258)	(586)		
Non-deductible expenses	14,988	14,988		
Prepaid expenses deducted - prior	11,571	11,571		
Prepaid expenses deducted - current	(4,314)	(4,314)		
California tax paid	-	(2,750)		
Taxable income	<u>22,504</u>	<u>24,426</u>		
Tax thereon	1,989	3,664	5,653	5,653
Adjust prior year provisions	511	436	947	947
Less: declaration payments paid	<u>(2,500)</u>	<u>(3,750)</u>	<u>(6,250)</u>	<u>-</u>
Accounts payable at year end	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 350</u>	<u>\$ 6,600</u>

**3. Net Capital Requirements**

As a registered broker and dealer in securities, the Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

The Company's ratio of aggregate indebtedness to net capital as defined in the Uniform Net Capital Rule was 2.39 to 1 at August 31, 2009. Aggregate indebtedness and net capital change from day to day. However, the ratio is not to exceed 15 to 1.

As of August 31, 2009, the Company had net capital as defined of \$160,416 which is compared to the minimum requirement of \$100,000.

**WESTHOFF, CONE AND HOLMSTEDT**  
**(A California Corporation)**  
Notes to Financial Statements  
Year Ended August 31, 2009

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**4. Exemption from Rule 15c3-3**

The Company is exempt from certain provisions of Rule 15c3-3 since it places securities transactions on a "fully-disclosed" basis with clearing broker-dealers and carries no margin accounts, promptly transmits all customer funds, delivers all customer securities and will not otherwise hold funds or securities of customers.

**5. Lease Commitments**

During the last fiscal year, the Company entered in a lease agreement to rent its new office space for a term of five years commencing November 2008. The following is the remaining commitment of minimum rents by fiscal year ending in October 2114:

<u>Fiscal Year</u> <u>August 31</u>	<u>Minimum</u> <u>Obligation</u>	<u>No. of</u> <u>Months</u>
2010	\$61,628	12
2011	63,260	12
2012	64,753	12
2013	66,385	12
2014	11,110	2

**6. Concentration of Credit Risk**

As of August 31, 2009, the Company has \$191,086 deposited in a money market account with Wells Fargo Bank. This amount is not protected by deposit insurance through the Federal Deposit Insurance Corporation, and, therefore, could result in a loss if Wells Fargo Bank could not meet its deposit obligations.

**7. Pension Plan**

In 2002, the Company established a defined contribution pension and profit sharing and salary deferral plan. The Company may make a discretionary contribution to the plan. Eligible employees of the Company may also elect to participate in a salary tax deferral plan. For the year ended August 31, 2009, the Company elected not to contribute to the pension plan.

WESTHOFF, CONE AND HOLMSTEDT  
(A California Corporation)  
Schedule 1 - Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
August 31, 2009

Shareholders' equity		\$ 181,182
Non-allowable assets and charges against net capital:		
Prepaid expenses and deposits		9,468
Furniture and equipment		<u>11,298</u>
		<u>20,766</u>
Net capital, as defined		160,416 (A)
Minimum requirement of net capital		<u>100,000</u>
Excess of net capital over requirement		<u>\$ 60,416</u>
Aggregate indebtedness:		
Total liabilities		<u>\$ 383,163 (B)</u>
Ratio of aggregate indebtedness to net capital (B/A)		<u>2.39 to 1</u>

Reconciliation of computation of net capital from FOCUS Part II (A) as submitted by Company to audited amounts.

	<u>Net Capital</u>	<u>Aggregate Indebtedness</u>	<u>Ratio</u>
Amounts submitted by Company	\$ 160,417	\$ 185,938	1.16 to 1
Increase in accounts receivable	193,825	-	
Increase in accounts payable	(27,768)	27,768	
Increase in commissions payable	(166,058)	166,057	
Reclassify deferred ta liability	<u>-</u>	<u>3,400</u>	
Net capital, as adjusted	<u>\$ 160,416</u>	<u>\$ 383,163</u>	<u>2.39 to 1</u>

**SIPC-7T**

(27-REV 3/09)

**SECURITIES INVESTOR PROTECTION CORPORATION**  
805 15th St. N.W. Suite 800, Washington, D.C. 20005-2215  
202-371-8300  
**Transitional Assessment Reconciliation**

**SIPC-7T**

(27-REV 3/09)

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

8-041760 FINRA AUG 11/9/1989  
WESTHOFF CONE & HOLMSTEDT  
500 YGNACIO VALLEY RD STE 380  
WALNUT CREEK, CA 94596-5041

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Stephen Kinkade 415-225-0488

- 2. A. General assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 1087
- B. Less payment made with SIPC-4 made in January, February or March 2009 (For all fiscal year ends except January, February, or March) ( 150 )
- 1/15/09  
    Date Paid
- C. Assessment balance due 937
- D. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- E. Total assessment balance and interest due (or overpayment carried forward) \$ 937
- F. PAID WITH THIS FORM:  
    Check enclosed, payable to SIPC  
    Total (must be same as E above) \$ 937

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Westhoff Cone & Holmstedt

(Name of Corporation, Partnership or other organization)

Att R Kinkade  
(Authorized Signature)

Financial Principal  
(Title)

Dated the 20<sup>th</sup> day of October, 2009.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates:                      Postmarked                      Received                      Reviewed                     

Calculations:                      Documentation                      Forward Copy                     

Exceptions:                     

Disposition of exceptions:

# DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning April 1, 2009  
and ending August 31, 2009  
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 611,983

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):

160,559

16,659

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. \$ \_\_\_\_\_

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). \$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

177,218

434,765

2d. SIPC Net Operating Revenues

\$ 1,087

2e. General Assessment @ .0025

(to page 1 but not less than \$150 minimum)

# Cropper Accountancy Corporation

*Certified Public Accountants*

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2977 Ygnacio Valley Road, #460  
Walnut Creek, California 94598  
Tel: (925) 932-3860  
Fax: (925) 932-3862

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17A-5**

To the Board of Directors of  
Westhoff, Cone and Holmstedt  
Walnut Creek, California

In planning and performing our audit of the financial statements and supplementary schedule of Westhoff, Cone and Holmstedt (the Company), for the year ended August 31, 2009, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

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 tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exceptive 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
2. Recordation of differences required by rule 17a-13
3. 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 an internal control structure 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 internal control structure policies and procedures 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 commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities 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 a 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 the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control structure, including procedures 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 commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at August 31, 2009 to meet the commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory bodies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended for and should not be used for any other purpose.

*Cropper Accountancy Corporation*

CROPPER ACCOUNTANCY CORPORATION

October 26, 2009

**WESTHOFF, CONE AND HOLMSTEDT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED AUGUST 31, 2009**  
**(WITH AUDITORS' REPORT THEREON)**