

SECUR



09058191

SION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

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

SEC FILE NUMBER
8- 28302

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 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: FINANCE 500, INC.

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

19762 MacARTHUR BLVD., SUITE 200

(No. and Street)

IRVINE

CALIFORNIA

92612

(City)

(State)

(Zip Code)

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

JON McCLINTOCK

949/253-4000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GOODRICH, BARON, GOODYEAR, LLP

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

6700 E. PACIFIC CAOST HWY., SUITE 255, LONG BEACH, CA 90803

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

Processing
Section
FEB 23 2009
Washington, DC
101

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

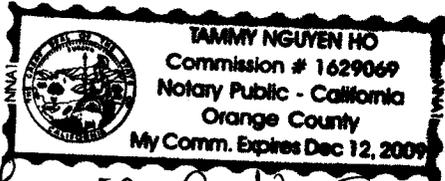
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

19
317

OATH OR AFFIRMATION

I, JON McCLINTOCK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FINANCE 500, 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:

NONE



Tammy Nguyen Ho
Notary Public

JON McCLINTOCK
Signature JON McCLINTOCK
CFO
Title

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 Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) **Independent Auditors' Report on Internal Accounting Control**

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

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Additional Information:	
Computation of Net Capital Pursuant to Rule 15c3-1	10
Reconciliation of Net Capital	11
Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3	12
Information Relating to the Possession or Control Requirements Pursuant to Rule 15c3-3	13
Report on Internal Control Required by SEC Rule 17a-5	14-15

GOODRICH·BARON·GOODYEAR LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Finance 500, Inc.
Long Beach, California

We have audited the accompanying statement of financial condition of Finance 500, Inc. as of December 31, 2008, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Finance 500, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 10-13 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of 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.

A handwritten signature in cursive script that reads "Goodrich Baron Goodyear LLP".

Long Beach, California
February 20, 2009

FINANCE 500, INC.
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2008

ASSETS

Cash and cash equivalents:		
Cash in banks		\$ 331,093
Money market		<u>1,727,759</u>
Total cash		2,058,852
Receivables:		
Commissions	\$ 2,854,706	
Other	<u>33,684</u>	2,888,390
Other marketable securities		40,936
Deferred tax asset		24,055
Deposits		250,000
Property and equipment, at cost, less \$129,073 of accumulated depreciation		<u>170,916</u>
Total assets		<u>\$ 5,433,149</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:		
Commissions payable		\$ 2,279,408
Accounts payable		327,921
Income taxes payable		56,291
Other liabilities - securities, short-position		<u>30,424</u>
Total liabilities		2,694,044
Commitments		-
Stockholder's equity:		
Common stock, no par value; 1,000,000 shares authorized; 1,000 shares issued and outstanding	\$ 15,000	
Additional paid-in capital	2,000,000	
Retained earnings	<u>724,105</u>	
Total stockholder's equity		<u>2,739,105</u>
Total liabilities and stockholder's equity		<u>\$ 5,433,149</u>

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

FINANCE 500, INC.
STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2008

Revenues:	
Commissions income	\$ 22,688,081
Listed income fees	2,162,543
Rebate fees	3,503
Other income	<u>123,961</u>
Total revenues	24,978,088
Expenses:	
Commissions	\$ 17,518,491
Salaries	2,370,363
Depreciation	34,183
Rents	537,623
Consulting and professional fees	773,720
Communications	109,634
Equipment costs and supplies	20,331
Registration fees	118,028
Insurance	223,367
Pension contribution	127,170
Business development	267,899
Other operating expenses	<u>2,622,901</u>
Total expenses	<u>24,723,710</u>
Income before income taxes	254,378
Income tax expense	<u>33,036</u>
Net income	<u>\$ 221,342</u>

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

FINANCE 500, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2008

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, beginning of year	\$ 15,000	2,000,000	502,763	2,517,763
Net income for the year ended December 31, 2008	<u>-</u>	<u>-</u>	<u>221,342</u>	<u>221,342</u>
Balance, at end of year	<u>\$ 15,000</u>	<u>2,000,000</u>	<u>724,105</u>	<u>2,739,105</u>

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

FINANCE 500, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

Cash flows from operating activities:		
Net income		\$ 221,342
Adjustments to reconcile loss to net cash provided by operating activities:		
Depreciation	\$ 34,183	
Increase in commissions receivable	(1,680,795)	
Decrease in other receivable	572,265	
Decrease in other securities	34,641	
Increase in deferred tax asset	(24,055)	
Increase in commissions payable	1,375,612	
Increase in accounts payable	152,123	
Increase in income taxes payable	55,491	
Decrease in other liabilities	<u>(18,892)</u>	
Total adjustments		<u>500,573</u>
Net cash flows provided by operating activities		721,915
Cash flows from investing activities		-
Cash flows from financing activities		<u>-</u>
Net increase in cash		721,915
Cash and cash equivalents, beginning of year		<u>1,336,937</u>
Cash and cash equivalents, end of year		<u>\$ 2,058,852</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest		<u>\$ -</u>
Income taxes		<u>\$ 800</u>

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

FINANCE 500, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a registered broker-dealer incorporated under the laws of the State of California maintaining its principal office in Irvine, California. The Company is subject to a minimum net capital requirement of \$580,000 under SEC Rule 15c3-1. The Company acts as an introducing broker/dealer and clears transactions with and for customers on a fully disclosed basis through a clearing broker/dealer. The Company's primary business consists of sales of securities, limited partnership interests, and mutual funds. The Company requires no collateral for its receivables and, thus, is subject to the risks inherent in the economy.

Camden Financial Services ("Camden") has executed a sub-clearing agreement with Finance 500, Inc. for purposes of clearing transactions with and for Camden's customers on a fully disclosed basis through Penson Financial Services.

Method of Accounting

The Company maintains its books and records on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Security Transactions

Security transactions are reported on a settlement date basis which is generally the third business day following the transaction date. While generally accepted accounting principles require reporting on a trade date basis, the difference between trade date and settlement date is not material. Related commissions and expenses are recorded on the accrual basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method over sixty months.

Income Taxes

The Company files its income tax returns on the accrual basis of accounting. Deferred income taxes result from timing differences in the reporting of California franchise tax expense for financial and tax purposes.

Cash Equivalents

For purposes of 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.

FINANCE 500, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2008

(2) ACCOUNTS RECEIVABLE/COMMISSIONS PAYABLE

The accounts receivable represent commissions due to the Company from the sale of securities, limited partnership interests and mutual funds.

(3) DEPOSITS

The deposit of \$250,000 as of December 31, 2008, consists of monies being held by Penson Financial Services, the Company's clearing agent.

(4) PROPERTY AND EQUIPMENT

Property and equipment is comprised of:

Office machinery and equipment	\$	52,039
Office furniture and fixtures		<u>247,950</u>
		299,989
Less accumulated depreciation		<u>(129,073)</u>
Net property and equipment	\$	<u>170,916</u>

(5) PROVISION FOR INCOME TAXES

Income tax expense consists of the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 32,236	\$ 24,855	\$ 57,091
Deferred	<u>-</u>	<u>(24,055)</u>	<u>(24,055)</u>
Total	<u>\$ 32,236</u>	<u>\$ 800</u>	<u>\$ 33,036</u>

Deferred taxes are accounted for under Financial Accounting Standard 109 (FAS 109), Accounting for Income Taxes, which uses an asset and liability approach in recognizing timing differences. This approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of other assets and liabilities.

The Company's deferred tax asset resulted from State net operating loss carryforwards that may be applied against future taxable income and that expire through 2028. The net operating loss carryforwards amounted to \$281,168.

FINANCE 500, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2008

(6) PENSION PLAN

The Company sponsors a 401(k) pension plan which is open to all employees who have been with the Company for at least three months. The Company matches 5% for every dollar the employee contributes to the plan. Employer contributions to the plan for the year amounted to \$127,170.

(7) CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS

The Company maintains cash accounts at Bank of America and First State Bank which had bank balances of \$420,561 and \$380,147, respectively, at December 31, 2008. Accounts at these institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The Company also maintains an investment account and a money market account with Penson Financial Services, Inc. (Penson) and Fidelity Investments (Fidelity), respectively. The accounts had balances of \$399,079 and \$887,764, respectively, at December 31, 2008. The Company also maintains a clearing deposit account at Penson which is required by the Securities and Exchange Commission. Accounts held at Penson and Fidelity are insured by the Securities Investor Protection Corporation.

(8) NET CAPITAL

The Company is subject to a \$580,000 minimum net capital requirement under SEC Rule 15c3-1 which requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis; however, as of December 31, 2008, the net capital ratio was 1.08 to 1 and net capital was \$2,465,026 which exceeded the required minimum capital by \$1,885,026.

(9) COMMITMENTS

The Company entered into a sixty-month lease expiring May 31, 2011, for an office suite in Irvine, California.

The remaining minimum future lease payments under this lease as of December 31, 2008 are:

2009	\$ 326,168
2010	334,205
2011	<u>196,907</u>
	<u>\$ 857,280</u>

The Company has also entered into various operating leases on computer equipment. The terms of the leases are sixty month periods expiring in various years through 2013.

FINANCE 500, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2008

(9) COMMITMENTS, continued

The remaining minimum future lease payments under the lease terms as of December 31, 2008 are:

<u>Year Ended December 31,</u>	<u>Amount</u>
2009	\$ 137,050
2010	88,947
2011	76,600
2012	20,268
2013	<u>4,851</u>
Total minimum future rental payments	<u>\$ 327,716</u>

Rent expense for the year was \$537,623.

FINANCE 500, INC.
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

DECEMBER 31, 2008

Total equity from statement of financial condition		\$ 2,739,105
Less non-allowable assets:		
Other receivable	\$ (33,684)	
Deferred tax asset	(24,055)	
Property and equipment	<u>(170,916)</u>	<u>(228,655)</u>
Net capital before haircut		2,510,450
Haircut:		
Money market	(34,556)	
Other marketable securities	<u>(10,868)</u>	<u>(45,424)</u>
Net capital		<u>\$ 2,465,026</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of aggregate indebtedness)		\$ <u>177,575</u>
Minimum dollar net capital required		\$ <u>580,000</u>
Net capital requirement (greater of above two figures)		\$ <u>580,000</u>
Excess net capital		\$ <u>1,885,026</u>

COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS

Total liabilities		\$ 2,694,044
Deduct other liabilities - securities, short-position		<u>30,424</u>
Total aggregate indebtedness		<u>\$ 2,663,620</u>
Ratio of aggregate indebtedness to net capital		<u>1.08 to 1</u>
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		<u>N/A</u>

FINANCE 500, INC.
RECONCILIATION OF NET CAPITAL

DECEMBER 31, 2008

Net capital per original unaudited Focus Report Part IIA		\$ 2,489,080
Adjustments:		
Deferred tax asset	\$ (24,055)	
Rounding	<u>1</u>	
		<u>(24,054)</u>
Net capital as reported in audited financial statements		<u>\$ 2,465,026</u>

The computation of net capital as reported in the unaudited Part IIA filing differs from the audited net capital for the reasons noted above. While such differences are material, the Company is in compliance with the minimum net capital requirement.

FINANCE 500, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3

DECEMBER 31, 2008

Not Applicable - The Company is exempt pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities.

FINANCE 500, INC.
INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS PURSUANT TO RULE 15c3-3

DECEMBER 31, 2008

Not Applicable - The Company is exempt pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities.

GOODRICH·BARON·GOODYEAR LLP
Certified Public Accountants

REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

The Board of Directors
Finance 500, Inc.
Long Beach, California

In planning and performing our audit of the financial statements of Finance 500, 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 17a5(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 17 a-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, 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.

A handwritten signature in cursive script that reads "Rodrick Bacon Gooden CP". The signature is written in black ink and is positioned above the typed name and date.

Long Beach, California
February 20, 2009

FINANCE 500, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(With Independent Auditors' Report Thereon)