

AP  
3/5



SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
FEB 27 2009  
BRANCH OF REGISTRATIONS  
AND  
EXAMINATIONS  
02

UNIT  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**09058371**  
**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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

SEC FILE NUMBER  
8- 66899

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: Crystal Cove Capital, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
8105 Irvine Center Drive, Suite 680  
(No. and Street)  
Irvine, CA 92618  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Terrance McGovern 866-493-6660  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Joseph Yafeh, CPA  
(Name - if individual, state last, first, middle name)  
11300 Olympic Blvd., Suite 875 Los Angeles, CA 90064  
(Address) (City) (State) (Zip Code)

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

**PROCESSED**  
MAR 10 2009 SB

**FOR OFFICIAL USE ONLY** **THOMSON REUTERS**

\*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)

Handwritten initials and scribbles

OATH OR AFFIRMATION

I, Terrance McGovern, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Crystal Cove Capital, LLC, 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

[Signature]  
Signature  
MANAGING MEMBER  
Title

see attached CA notary form  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of **Cash Flows**.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole 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.
- (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).

# CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of Orange

On 2/19/09 before me, Elizabeth Karacuschansky, notary public  
(Here insert name and title of the officer)

personally appeared Terrance McGovern

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s); or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Elizabeth Karacuschansky  
Signature of Notary Public

(Notary Seal)



## ADDITIONAL OPTIONAL INFORMATION

### DESCRIPTION OF THE ATTACHED DOCUMENT

Oath or Affirmation

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages \_\_\_\_\_ Document Date \_\_\_\_\_

(Additional information)

### CAPACITY CLAIMED BY THE SIGNER

- Individual (s)  
 Corporate Officer

(Title)

- Partner(s)  
 Attorney-in-Fact  
 Trustee(s)  
 Other \_\_\_\_\_

### INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he/she/they~~ is /are ) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
  - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
  - ❖ Indicate title or type of attached document, number of pages and date.
  - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

CRYSTAL COVE CAPITAL, LLC

ANNUAL AUDIT REPORT

DECEMBER 31, 2008

8105 Irvine Center Drive, Suite 680  
Irvine, CA 92618

## CONTENTS

### PART I

Report of Independent Auditor	1
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 7

### SUPPLEMENTAL SCHEDULES

Computation of Net Capital Pursuant to Rule 15c3-1	8 - 9
Operating Expenses	10 - 11

### PART II

Statement of Internal Control	12 - 13
-------------------------------	---------

**Joseph Yafeh CPA, Inc.**

*A Professional Accounting Corporation*

11300 W. Olympic Blvd., Suite 875

Los Angeles CA 90064

310-477-8150 ~ Fax 310-477-8152

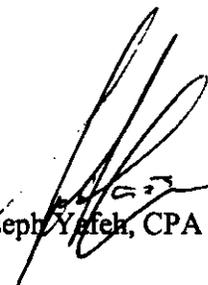
**REPORT OF INDEPENDENT AUDITOR**

Member  
Crystal Cove Capital, LLC  
Irvine, California

I have audited the accompanying statement of financial condition of Crystal Cove Capital, LLC as of December 31, 2008 and related statements of operations, changes in member's equity and cash flows for the year then ended. These financial statements are being filed based on Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of Crystal Cove Capital, LLC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of Crystal Cove Capital, LLC as of December 31, 2008 and the results of its operations, member's equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Joseph Yafeh, CPA

Los Angeles, California  
February 19, 2009

CRYSTAL COVE, LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2008

ASSETS

Cash - checking	\$	12,605
Accounts receivable, net of allowance for doubtful accounts of \$28,750		67,751
Due from member		300
Fixed assets, less accumulated depreciation of \$1,500		<u>4,500</u>
TOTAL ASSETS	\$	<u>85,156</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Accrued expenses	\$	1,367
Income tax payable		<u>1,700</u>

TOTAL LIABILITIES 3,067

MEMBER'S EQUITY

Member's equity \$ 82,089

TOTAL LIABILITIES AND MEMBER'S EQUITY \$ 85,156

See Accompanying Notes to Financial Statements

CRYSTAL COVE, LLC  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUES

Consulting/Advisory fees	\$ 442,713
Reimbursed expenses	<u>2,890</u>

TOTAL REVENUES	445,603
----------------	---------

OPERATING EXPENSES - see page 11	<u>267,240</u>
----------------------------------	----------------

INCOME BEFORE TAX	178,363
-------------------	---------

PROVISION FOR STATE TAXES	<u>1,700</u>
---------------------------	--------------

NET INCOME	<u><u>\$ 176,663</u></u>
------------	--------------------------

See Accompanying Notes to Financial Statements

CRYSTAL COVE, LLC  
STATEMENT OF CHANGES IN MEMBER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Member's Equity</u>
Balance, December 31, 2007	\$ 127,134
Capital distribution	(221,708)
Net Income	<u>176,663</u>
Balance, December 31, 2008	<u>\$ 82,089</u>

See Accompanying Notes to Financial Statements

CRYSTAL COVE, LLC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities:

Net income	\$	176,663
Depreciation		1,200
Accounts receivable		77,249
Due from member		(300)
Prepaid expenses		2,087
Income taxes payable		(2,400)
Accrued expenses		(16,526)
Payroll liabilities		<u>(6,394)</u>
 Net cash provided from operating activities		 231,579
 Cash Flows used by investing activities		 <u>0</u>
 Cash Flows from Financing Activities:		
Capital distributions		<u>(221,708)</u>
 Net cash used by financing activities		 <u>(221,708)</u>
 Net increase in cash		 9,871
 Cash at beginning of year		 <u>2,734</u>
 Cash at end of year	<u>\$</u>	 <u>12,605</u>

SUPPLEMENTAL INFORMATION

Income taxes paid	\$	<u>0</u>
-------------------	----	----------

See Accompanying Notes to Financial Statements

**CRYSTAL COVE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 1 - ORGANIZATION**

Crystal Cove Capital, LLC. (the "Company") is a California Limited Liability Company as of October 16, 2003 and approved by the NASD on October 16, 2005 to operate as a General Securities Broker Dealer. The NASD and NYSE Member Regulation consolidated in 2007 to form FINRA (Financial Industry Regulatory Agency). The Company is headquartered in Newport Beach, California.

The Company's primary business activity is corporate finance and investment banking advisory services. Additionally, the Company can be engaged in the private placement of securities in a primary market on a best efforts basis only.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Advisory Fees

The Company receives advisory fees in accordance with terms stipulated in its engagement contracts. Financial advisory fees are recognized as earned on a pro rata basis over the term of the contract or the period that advisory services are rendered, whichever is shorter.

Furniture and Equipment and Depreciation

Furniture and Equipment are depreciated over five years by the straight line method.

**NOTE 3 - NET CAPITAL REQUIREMENTS**

The Company is subject to a \$5,000 minimum capital requirement under SEC Rule 15c3-1 which requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. See page 8 for the net capital calculation at December 31, 2008.

**NOTE 4 - PROVISION FOR INCOME TAXES**

The Company is taxed as a Limited Liability Company (LLC). Consequently all items of income and loss pass directly to individual members; therefore there is no federal tax provision necessary.

The Company is subject to a limited liability company minimum state tax of \$800 and a gross receipts fee for receipts over \$250,000. At December 31, 2008, the Company recorded \$800 minimum state taxes and \$900 state gross receipts fee.

In 2008, sole member of the Company assumed financial responsibility for California state income taxes and fees totaling \$4,100 for the years 2004, 2005, 2006, and 2007.

**CRYSTAL COVE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2008**

**NOTE 5 - USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**NOTE 6 – CONTINGENT LIABILITIES**

In the normal course of the securities business the Company could be named as a defendant in litigation. No litigation matters existed at December 31, 2008 and through the date of this report.

**NOTE 7 – EXEMPTION FROM THE SEC RULE 15C3-3**

Crystal Cove Capital, LLC is an introducing broker-dealer that clears all transactions with and for customers on a fully disclosed basis with an independent securities clearing company and promptly transmits all customer funds and securities to the clearing company, which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of the SEC Rule 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

Therefore; Crystal Cove Capital, LLC is exempt from provisions under the SEC Rule 15c3-3, Customer Protection – Reserves and Custody of Security under Rule 15c3-3 paragraph K 2 i.

In addition, the Company is exempt from the Possession or Control Requirements under Rule 15c3-3 paragraph K 2 i.

CRYSTAL COVE, LLC  
 COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT  
 TO RULE 15c3-1  
 DECEMBER 31, 2008

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$ 82,089
Non allowable assets, page 9	<u>( 72,551)</u>
<b>NET CAPITAL</b>	<u><b>\$ 9,538</b></u>

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness - 6-2/3% of net aggregate indebtedness	<u>\$ 204</u>
Minimum dollar net capital required	<u>\$ 5,000</u>
Net Capital required (greater of above amounts)	<u>\$ 5,000</u>
<b>EXCESS NET CAPITAL</b>	<u><b>\$ 4,538</b></u>

Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	<u>\$ 9,231</u>
---	-----------------

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities	<u>\$ 3,067</u>
Percentage of aggregate indebtedness to net capital	32%

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

Unaudited Net Capital	\$ 9,805
Audit adjustment – unrecorded liability	(265)
Rounding	<u>(2)</u>
<b>Audited Net Capital</b>	<u><b>\$ 9,538</b></u>

See Accompanying Notes to Financial Statements

CRYSTAL COVE, LLC  
NON-ALLOWABLE ASSETS  
DECEMBER 31, 2008

NON-ALLOWABLE ASSETS

A/R	\$	67,751
Due from officer		300
Fixed assets		<u>4,500</u>
	\$	<u><u>72,551</u></u>

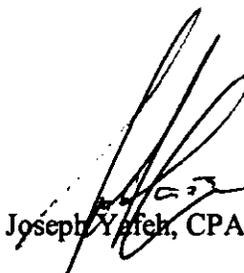
See Accompanying Notes to Financial Statements

**Joseph Yafeh CPA, Inc.**  
*A Professional Accounting Corporation*  
11300 W. Olympic Blvd., Suite 875  
Los Angeles CA 90064  
310-477-8150 ~ Fax 310-477-8152

**INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF REVENUE AND OPERATING EXPENSES**

Member  
Crystal Cove Capital, LLC  
Irvine, California

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached schedule operating expenses for the year ended December 31, 2008 is presented for purposes of additional information and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.



Joseph Yafeh, CPA

Los Angeles, California  
February 19, 2009

CRYSTAL COVE, LLC  
SCHEDULE OF OPERATING EXPENSES  
DECEMBER 31, 2008

OPERATING EXPENSES

Auto	\$ 1,653
Bad debts	28,750
Bank service fees	99
Bonds	473
Charitable donations	750
Depreciation	1,200
Dues and subscriptions	395
FINRA fees	950
Guaranteed payment - member	132,966
Insurance	29,219
Office expenses	477
Parking	705
Payroll expenses	3,828
Professional fees	(13,984)
Rent	3,842
Salaries and wages	65,550
Taxes - other	59
Telephone and fax	3,267
Travel and entertainment	<u>7,041</u>
TOTAL OPERATING EXPENSES	<u>\$ 267,240</u>

See Accompanying Notes to Financial Statements

**PART II**

**CRYSTAL COVE CAPITAL, LLC**

**STATEMENT OF INTERNAL CONTROL**

**DECEMBER 31, 2008**

**Joseph Yafeh CPA, Inc.**  
*A Professional Accounting Corporation*  
11300 W. Olympic Blvd., Suite 875  
Los Angeles CA 90064  
310-477-8150 ~ Fax 310-477-8152

**REPORT OF INDEPENDENT ACCOUNT  
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC Rule 17a-5**

Member  
Crystal Cove Capital, LLC  
Irvine, California

In planning and performing my audit of the financial statements and supplemental schedules of Crystal Cove Capital, LLC (the "Company") for the year ended December 31, 2008, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I 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, I 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 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

Member  
Crystal Cove Capital, LLC  
Irvine, California

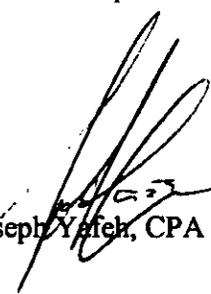
management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation 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 or 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.

My consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2008 to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, FINRA, 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.



Joseph Yafeh, CPA

Los Angeles, California  
February 19, 2009

**END**