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

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SECURITIES AND EXCHANGE COMMISSION RECEIVED FEB 26 2009 BRANCH OF REGISTRATIONS AND EXAMINATIONS 05

ANNUAL AUDITED REPORT FORM X-17A-5

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PART III

SEC FILE NUMBER 8-67417

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 01/01/2008 AND ENDING 12/31/2008 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Proctor Investment Distributors, LLC

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

575 Lexington Avenue, 8th Floor

PROCESSED

MAR 13 2009

THOMSON REUTERS

OFFICIAL USE ONLY FIRM I.D. NO.

(No. and Street)

New York, NY 10022-6102

(City)

(State)

(Zip Code)

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

Neal Epstein

212-624-1880

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Sax Macy Fromm & Co, PC

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

855 Valley Road

(Address)

Clifton

(City)

New Jersey

(State)

07013

(Zip Code)

CHECK ONE:

[X] Certified Public Accountant

[ ] Public Accountant

[ ] Accountant not resident in United States or any of its possessions.

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\* 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)

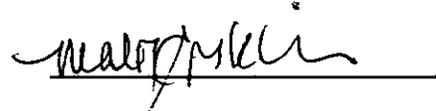
SEC 1410 (06-02)

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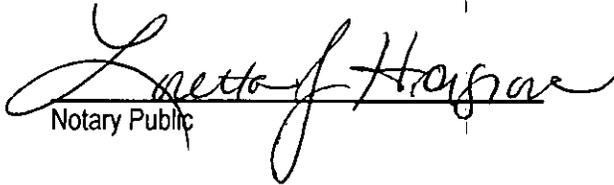
### OATH OR AFFIRMATION

I, NEAL M. EPSTEIN, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of PROCTOR INVESTMENT DISTRIBUTORS 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



President  
Title



Notary Public

LORETTA J. HARGROVE  
Notary Public, State of New York  
No. 01HA5045457  
Qualified in Kings County  
Commission Expires June 19, 2011

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 Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation 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 auditor's report on internal accounting control.

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

**Proctor Investment Distributors, LLC**

Report Pursuant to Rule 17a-5

Financial Statements

Year Ended December 31, 2008

**Proctor Investment Distributors, LLC**

Report Pursuant to Rule 17a-5  
Index to Financial Statements

Year Ended December 31, 2008

SEC Mail Processing  
Section

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Washington, DC  
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CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## Independent Auditors' Report

To the Board of Directors of  
**Proctor Investment Distributors, LLC:**

We have audited the accompanying statement of financial condition of **Proctor Investment Distributors, LLC** as of December 31, 2008, and the related statements of operations, changes in member'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 Proctor Investment Distributors, LLC 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 in the Schedule of Minimum Capital Requirements and in the Schedule for Determination of the Reserve Requirements 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.

*Sax Macy Fromm & Co., PC*  
Sax Macy Fromm & Co., PC  
Certified Public Accountants

Clifton, New Jersey  
February 12, 2009

# Proctor Investment Distributors, LLC

## Statement of Financial Condition

December 31, 2008

### Assets

**Current Assets:**

Cash	\$	74,738
Prepaid expenses		5,531
Daily FINRA security deposit		<u>9,632</u>

**Total Assets** **\$** 89,901

### Liabilities and Member's Equity

**Current Liabilities:**

Accounts payable and accrued expenses	\$	9,000
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**Member's Equity** 80,901

**Total Liabilities and Member's Equity** **\$** 89,901

*The Accompanying Notes are an Integral Part of these Financial Statements.*



**Proctor Investment Distributors, LLC**

## Statement of Operations

Year Ended December 31, 2008

<b>Revenue:</b>		\$	---
<b>Expenses:</b>			
Professional and consulting fees	\$	9,000	
Office salaries		396,000	
Office rent expense		32,400	
Regulatory expense		<u>35,160</u>	
Total Expenses			<u>472,560</u>
<b>Operating Loss</b>			(472,560)
<b>Other Income:</b>			
Interest income			<u>729</u>
<b>Net Loss</b>			<u>\$ (471,831)</u>

The Accompanying Notes are an Integral Part of these Financial Statements.



# Proctor Investment Distributors, LLC

## Statement of Changes in Member's Equity

Year Ended December 31, 2008

<b>Member's Equity at Beginning of Year</b>	\$ 86,127
Contributions from member	466,605
Net (loss)	<u>(471,831)</u>
<b>Member's Equity at End of Year</b>	<u><u>\$ 80,901</u></u>

*The Accompanying Notes are an Integral Part of these Financial Statements.*



# Proctor Investment Distributors, LLC

## Statement of Cash Flows

Year Ended December 31, 2008

### Cash Flows From Operating Activities:

Net loss		\$ (471,831)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Non-cash contributions from member	\$ 466,605	
(Increase) decrease in assets:		
Prepaid expenses	7,975	
Daily FINRA security deposit	(3,888)	
Increase in liabilities:		
Accounts payable and accrued expenses	<u>1,868</u>	
Net adjustments to reconcile net loss to net cash provided by operating activities		<u>472,560</u>
Net Cash Provided by Operating Activities		<u>729</u>
Cash at Beginning of Year		<u>74,009</u>
Cash at End of Year		<u><u>\$ 74,738</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements.



## Proctor Investment Distributors, LLC

### Notes to Financial Statements

#### Note 1 – Nature of Business:

Proctor Investment Distributors, LLC ("the Company") is a registered broker-dealer with the Securities and Exchange Commission of 1934. The Company is a fully disclosed broker-dealer whereby it does not hold customer funds or securities. The Company is a member of the Financial Industry Regulatory Authority (The "FINRA").

#### Note 2 – Summary of Significant Accounting Policies:

- A. Revenue Recognition – The Company recognizes revenue at the time services are rendered.
- B. 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 as well as the reported amount of revenue and expenses during the period. Actual results could differ from these estimates.
- C. Income Taxes – The Company is a single member LLC. Taxable income or loss of the Company flows through to the individual member of the Company who is responsible for reporting taxes thereon. Accordingly, the Company records no provision for federal or state income taxes. The Company is subject to the New York City unincorporated business tax.

#### Note 3 – Related Party Transactions:

The Company has entered into an expense sharing agreement, where Proctor Investment Managers, LLC (the parent company) will fund various expenses specifically allocated to the Company. These allocated expenses are not required to be reimbursed and are recognized as contributed capital from the parent company. The expense sharing agreement states that the parent company will continue to contribute capital to the Company indefinitely. Allocated expenses for the year ended December 31, 2008 amounted to \$428,400.

#### Note 4 – Net Capital Requirements:

As a registered broker-dealer, the Company is subject to the minimum net capital requirements pursuant to Uniform Net Capital Rule 15c 3-1 of the Securities Exchange Act of 1934. Under that Rule the Company is required to maintain a minimum net capital, as defined, of the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined. Net capital as of December 31, 2008 was \$65,738, which exceeded its requirement by \$60,738.



**Proctor Investment Distributors, LLC****Schedule of Minimum Capital Requirements**

December 31, 2008

<b>Total Ownership Equity</b>		\$	80,901
<b>Less: Non Allowable Assets:</b>			
Prepaid expenses	\$	5,531	
Daily FINRA security deposit		<u>9,632</u>	
Total Adjustments			<u>15,163</u>
<b>Adjusted Net Capital</b>			65,738
<b>Computation of Net Capital Requirements:</b>			
Minimum net capital requirements:			
6 2/3% of net aggregate indebtedness		600	
Minimum dollar net capital required		<u>5,000</u>	
Net Capital Required (Greater of Above)			<u>5,000</u>
<b>Excess Net Capital</b>		\$	<u>60,738</u>
<b>Aggregate Indebtedness</b>		\$	<u>9,000</u>
<b>Ratio of Aggregate Indebtedness to Adjusted Net Capital (\$9,000/\$65,738)</b>			<u>14%</u>

Note: There are no material differences between the above computation and the Company's corresponding unaudited Focus filing as of December 31, 2008.

See Independent Auditors' Report



**Proctor Investment Distributors, LLC**

Schedule for Determination of the Reserve Requirements

Under Exhibit A of Rule 15(c) 3-3

December 31, 2008

The Company is exempt from Rule 15(c) 3-3 under paragraph (k)(2)(i). As such, the Company does not hold funds or securities for any customers.

*See Independent Auditors' Report*





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AND CONSULTANTS

## **Independent Auditors' Report on Internal Control over Financial Reporting**

To the Board of Directors of  
**Proctor Investment Distributors, LLC:**

In planning and performing our audit of the financial statements and supplemental schedules of **Proctor Investment Distributors, LLC** (the Company) for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15(c) 3-3. Because the Company does not carry security 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 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 accounting principles generally accepted in the United States of America 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 recognizes that it is not practicable in an organization the size of Proctor Investment Distributors, LLC to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of management, the SEC, the National Association of Securities Dealers, Inc., 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.

Sax Macy Fromm & Co., PC  
Sax Macy Fromm & Co., PC  
Certified Public Accountants

Clifton, New Jersey  
February 12, 2009

END

