

SECURITIES AND EXCHANGE COMMISSION  
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DIVISION OF MARKET REGULATION



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ES  
COMMISSION  
WASHINGTON, D.C. 20549

BBB 3/10

| OMB APPROVAL                                 |                   |
|--|-------------------|
| OMB Number:                                  | 3235-0123         |
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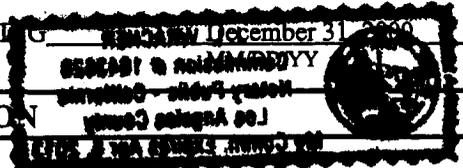
**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

| SEC FILE NUMBER |
|-----------------|
| 8-49951         |

**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, 2009 AND ENDING December 31, 2009  
MM/DD/YY



**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: MDB Capital Group, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

| OFFICIAL USE ONLY |
|-------------------|
|                   |
| FIRM I.D. NO.     |

401 Wilshire Blvd., Suite 1020  
(No. and Street)  
Santa Monica California 90402  
(City) (State) (Zip Code)

NAME AND TELEPHONE-NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Gary Schuman (310) 526-5004  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Brian W. Anson, CPA  
(Name - if individual, state last, first, middle name)  
18425 Burbank, Suite 606, Tarzana California 91356  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

| FOR OFFICIAL USE ONLY |
|-----------------------|
|                       |

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

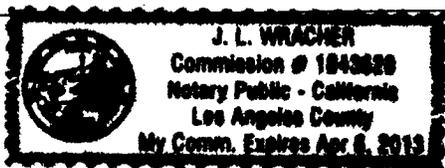
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BBB 3/11

OATH OR AFFIRMATION

I, Gary Schuman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MDB Capital Group, LLC, as of December 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:

NONE



[Signature]

Gary Schuman

Signature

[Signature]  
Notary Public

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.
- (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.

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

**BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

**Report of Independent Registered Public Accountant**

Board of Members  
MDB Capital Group, LLC  
Santa Monica, California

I have audited the accompanying statement of financial condition of MDB Capital Group, LLC as of December 31, 2009 and the related statements of operations, changes in members' 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, the financial statements referred to above present fairly, in all material respects, the financial position of MDB Capital Group, LLC as of December 31, 2009 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedule I-IV is presented for purposes of additional analysis and is not required as part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subject to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole.

This opinion is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, and other regulatory agencies which 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.



Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 16, 2010

MDB CAPITAL GROUP, LLC

Statement of Financial Condition  
December 31, 2009

ASSETS

|  |                      |
|--|----------------------|
| Cash and cash equivalents                    | \$ 2,288,046         |
| Accounts receivable                          | 45,336               |
| Investments                                  | 7,865,988            |
| Fixed assets                                 |                      |
| net of accumulated depreciation of \$520,276 | 353,528              |
| Prepaid and other assets                     | 24,331               |
| Total assets                                 | <u>\$ 10,577,229</u> |

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

|                                       |                  |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | \$ 87,534        |
| Accrued salaries                      | 159,290          |
| Commissions payable                   | 2,653,749        |
| Cash debit balance                    | 3,289,034        |
| Securities sold not yet purchased     | 222,311          |
| Total liabilities                     | <u>6,411,918</u> |

MEMBERS' EQUITY:

|                                       |                      |
|---------------------------------------|----------------------|
| Members' equity                       | <u>4,165,311</u>     |
| Total liabilities and members' equity | <u>\$ 10,577,229</u> |

The accompanying notes are an integral part of these financial statements

MDB CAPITAL GROUP, LLC

Statement of Income  
For the year ended December 31, 2009

REVENUES:

|                               |                  |
|-------------------------------|------------------|
| Commissions and services fees | \$ 2,422,859     |
| Trading and investment        | 5,860,437        |
| Interest income               | 5,423            |
| Other income                  | 105,783          |
| Total income                  | <u>8,394,502</u> |

EXPENSES:

|                                  |                |
|----------------------------------|----------------|
| Administrative                   | 438,000        |
| Clearing charges                 | 279,452        |
| Commissions                      | 4,561,325      |
| Communications                   | 237,896        |
| Legal and professional accupancy | 172,292        |
| Occupancy                        | 226,800        |
| Research                         | 318,746        |
| Salaries                         | 498,342        |
| Operations                       | <u>869,622</u> |
| Total expenses                   | 7,602,475      |

INCOME BEFORE INCOME TAXES

792,027

INCOME TAX PROVISION (Note2)

|                            |               |
|----------------------------|---------------|
| State taxes                | 12,500        |
| Total income tax provision | <u>12,500</u> |

NET INCOME

\$ 779,527

MDB CAPITAL GROUP, LLC

Statement of Members' Equity  
For the year ended December 31, 2009

|                                   | Members'<br>Equity | Net<br>Income | Total<br>Members'<br>Equity |
|-----------------------------------|--------------------|---------------|-----------------------------|
| Beginning balance January 1, 2009 | \$ 5,151,175       |               | \$ 5,151,175                |
| Distributions                     | (1,765,391)        |               | (1,765,391)                 |
| Net income                        |                    | 779,527       | 779,527                     |
| Ending balance December 31, 2009  | \$ 3,385,784       | \$779,527     | \$4,165,311                 |

The accompanying notes are an integral part of these financial statements

MDB CAPITAL GROUP, LLC

Statement of Cash Flows  
For the year ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

|   |                  |
|---|------------------|
| Net income  | \$ 779,527       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |
| Depreciation  | 94,074           |
| (Increase) decrease in:   |                  |
| Accounts receivable   | (32,359)         |
| Investments   | (2,603,094)      |
| Prepaid and other assets  | (177)            |
| Increase (decrease):  |                  |
| Accounts payable and accrued expenses   | (12,258)         |
| Accrued salaries  | 150,303          |
| Commissions payable   | 2,361,716        |
| Cash debit balance  | 1,367,453        |
| Securities sold not yet purchased   | 163,106          |
| Total adjustments   | <u>1,488,764</u> |
| Net cash provided by operating activities   | <u>2,268,291</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

|   |              |
|---|--------------|
| Purchase of fixed assets                  | (1,721)      |
| Retirement of fixed assets                | 5,912        |
| Net cash provided by investing activities | <u>4,191</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

|                                       |                     |
|---------------------------------------|---------------------|
| Distributions                         | <u>(1,765,391)</u>  |
| Net cash used in financing activities | <u>(1,765,391)</u>  |
| Increase in cash                      | 507,091             |
| Cash at beginning of year             | <u>1,780,955</u>    |
| Cash at end of year                   | <u>\$ 2,288,046</u> |
| Supplemental cash flow disclosures    |                     |
| Interest                              | \$ -                |
| Income taxes                          | \$ 800              |

# MDB CAPITAL GROUP, LLC

## Notes to Financial Statements December 31, 2009

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

#### Organization and general matters:

MDB Capital Group, LLC (the “Company”) was formed in California in 1996 and is approved as a securities broker dealer by the Securities and Exchange Commission, The Financial Industry Regulatory Authority, and The State of California.

The firm is a limited liability company whose managing members are Messers. Christopher A. Marlett and Anthony D. Di Giandomenico.

The firm operates on a fully disclosed basis with another member firm, National Financial Services.

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements”. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair values. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management believes that the adoption of SFAS No. 157 will not have a material impact on the financial results of the Company.

#### Revenue recognition:

Securities transactions are recorded on a settlement date basis with related commission income and expense also recorded on a settlement date basis.

#### Marketable securities:

Securities owned are valued at market value. The resulting differences between cost and market is included in income.

#### 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.

MDB CAPITAL GROUP, LLC

Notes to Financial Statements  
December 31, 2009

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

Property, equipment and premises:

The company depreciates its assets over a useful life of five, seven, or thirty-nine and a half years.

|                                |                   | Depreciable<br>Life (in years) |
|--------------------------------|-------------------|--------------------------------|
| Furniture and fixture at cost  | 334,369           | 7                              |
| Less: accumulated depreciation | (299,985)         |                                |
|                                | <u>\$ 34,384</u>  |                                |
| Computer and equipment         | 263,494           | 5                              |
| Less: accumulated depreciation | (157,799)         |                                |
|                                | <u>\$ 105,695</u> |                                |
| Leasehold improvements         | 275,941           |                                |
| Less: accumulated depreciation | (62,492)          | 39.5                           |
|                                | <u>\$ 213,449</u> |                                |

Depreciation expense for the year ended December 31, 2009 was \$94,071.

Concentrations of Credit Risk:

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

Management estimates that 100% of the revenues were generated in the State of California.

MDB CAPITAL GROUP, LLC

Notes to Financial Statements  
December 31, 2009

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

Leases:

The Company committed to an office lease for approximately 4,428 square feet of office space in December of 2009. Under the lease agreement there is a fixed monthly payment of \$16,605.00 for five years, and eight months. The fixed rent will increase annually by 4% on the 13<sup>th</sup> month of the Term.

| Total Lease Obligation | <u>Year</u> | <u>Amount</u> |
|------------------------|-------------|---------------|
|                        | 2010        | 175,017       |
|                        | 2011        | 207,921       |
|                        | 2012        | 216,238       |
|                        | 2013        | 224,888       |
|                        | 2014        | 233,883       |
|                        | 2015        | 141,418       |

Comprehensive Income:

The Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires that an enterprise report, by major components and as a single total, the changes in equity. There were no other comprehensive income items for the year ended December 31, 2009.

Note 2: INCOME TAXES

The Company was formed as Limited Liability Company and has elected to be treated as a partnership for Federal Tax purposes, which provides that in lieu of corporate taxes, the members are taxed on the Company's taxable income. Therefore, no provision or liability for Federal income taxes is included in these financial statements. The State of California has similar regulations, although there exists a minimum franchise tax of \$800 per year.

Note 3: NET CAPITAL REQUIREMENT

The company is subject to the uniform net capital rule (SEC Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and the maintenance of maximum ratio of aggregate indebtedness to net capital. At December 31, 2009 the company had a net capital of \$2,366,395 which is \$1,953,755 in excess of the minimum of \$427,461 required and its ratio of aggregate indebtedness (\$6,189,608) to net capital was 2.62 to 1 which is less than 15 to 1 maximum ratio of a broker dealer.

MDB CAPITAL GROUP, LLC

Statement of Net Capital  
 Schedule I  
 For the year ended December 31, 2009

|  | Focus 12/31/09      | Audit 12/31/09      | Change         |
|--|---------------------|---------------------|----------------|
| Members' equity, December 31, 2009             | \$ 4,766,043        | \$ 4,165,311        | \$ 600,732     |
| Subtract - Non allowable assets:               |                     |                     |                |
| Accounts receivable                            | 25,800              | 25,800              | -              |
| Investment                                     | 754,161             | 260,000             | 494,161        |
| Fixed assets                                   | 447,599             | 353,528             | 94,071         |
| Other assets                                   | 31,131              | 24,331              | 6,800          |
| Tentative net capital                          | <u>3,507,352</u>    | <u>3,501,652</u>    | <u>5,700</u>   |
| Haircuts:                                      | 1,135,146           | 1,135,257           | 111            |
| NET CAPITAL                                    | <u>2,372,206</u>    | <u>2,366,395</u>    | <u>5,811</u>   |
| Minimum net capital                            | (412,261)           | (412,640)           | 379            |
| Excess net capital                             | <u>\$ 1,959,945</u> | <u>\$ 1,953,755</u> | <u>(6,190)</u> |
| Aggregate indebtedness                         | 6,183,907           | 6,189,608           | 5,701          |
| Ratio of aggregate indebtedness to net capital | 2.61%               | 2.62%               |                |

The differences between the audit and focus filed for December 31, 2009 were caused by year end adjustments of accounts payable, fixed assets, and additional expenses.

MDB CAPITAL GROUP, LLC

Schedule II  
Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2009

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3 (k)(2)(ii).

Schedule III  
Information Relating to Possession or Control  
Requirements Under Rule 15c3-3  
December 31, 2009

The Company is exempt from the Rule 15c3-3 as it relates to possession and Control requirements under the (k)(2)(ii) exemptive provision.

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:

8-49951
MDB Capital Group LLC
401 Wilshire Blvd # 1020
Santa Monica CA 90401

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.

WORKING COPY

2. A. General assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 15650.54
B. Less payment made with SIPC-4 made in January, February or March 2009 (For all fiscal year ends except January, February, or March) (6152.56)
Date Paid 7-28-2009
C. Assessment balance due 9497.98
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) \$
F. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as E above) \$ 9497.98

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.

MDB CAPITAL GROUP, LLC
(Name of Corporation, Partnership or other organization)
[Signature]
(Authorized Signature)
CFO
(Title)

Dated the 16th day of February, 2010.

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 Dec 31, 2009  
Eliminate cents

**Item No.**

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

\$ 6 783 351<sup>37</sup>

**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):

131 288<sup>95</sup>

390 552<sup>20</sup>

(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.

\$ 1293<sup>36</sup>

(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

1293<sup>36</sup>  
523 134<sup>51</sup>

2d. SIPC Net Operating Revenues

\$ 6 260 216<sup>26</sup>

2e. General Assessment @ .0025

\$ 15 650<sup>54</sup>

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

# **BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

## **Independent Accountant's Report on Applying Agreed – Upon Procedures Related to an Entity's SIPC Assessment Reconciliation.**

Board of Members,  
MDB Capital Group, LLC  
Santa Monica, California

In accordance with Rule 17a-5 (e)(4) under the Securities Exchange Act of 1934, I have performed the procedures enumerated below with respect to the accompanying Scheduled of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2009 which were agreed to by MDB Capital Group, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating MDB Capital Group, LLC's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). MDB Capital Group, LLC's management is responsible for the MDB Capital Group, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures I performed and my findings are as follows:

1. Compared the listed assessment payment in Form SIPC-7T with respective cash disbursement records entries from the cash disbursements journal and related bank statements and reconciliations, noting no differences;
2. Compared the amounts reported on the audited Form X-17a-5 for the year ended December 31, 2009 as applicable with the amounts reported in Form SIPC-7T for the year ended December 31, 2009 noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers, such as clearing firms records supporting securities revenues, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers, such as revenues from third party support and bank records supporting the adjustments, noting no differences.

I was not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

  
Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 16, 2010

**BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTANT ON  
INTERNAL CONTROL STRUCTURE  
REQUIRED BY SEC RULE 17A-5**

Board of Members,  
MDB Capital Group, LLC  
Santa Monica, California

In planning and performing my audit of the financial statements of MDB Capital Group, LLC for the year ended December 31, 2009, I considered its internal control structure, 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 the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures including tests of such practices and procedures followed by MDB Capital Group, LLC including test of compliance with such practices and procedures that I considered relevant to objectives stated in Rule 17a-5(g), (1) 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: (i) in making the quarterly securities examinations, counts, verifications and comparisons, (ii) recordation of differences required by Rule 17a-13, or (iii) in complying with the requirements for prompt payment for securities of Section 8 of 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 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 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(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, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board (United States). 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 the internal control structure, including control activities for safeguarding securities, which I consider to be material weaknesses as defined above.

In addition, my consideration of the internal control structure indicated that the Company was in compliance with the conditions of the exemption under Paragraph (k) (2) (ii) of Rule 15c3-3, and no facts came to my attention indicating that such conditions had not been complied with during the period. The scope of my engagement did not include the Anti Money Laundering provision of the U.S. Patriot Act.

I 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 purpose 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, 2009 to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, and other regulatory agencies which 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.



Brian W. Anson  
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Tarzana, California  
February 16, 2010