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

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 September 1, 2009 AND ENDING August 31, 2010

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Conover Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: 11250 Kirkland Way, Suite 100
Kirkland, WA 98033

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Jon Tirbeld (425) 455-1040

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates, Inc. Certified Public Accountants
9221 Corbin Avenue, Suite 170
Northridge, CA 91324

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

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

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

I, Jon Tribbel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Conover Securities Corporation, as of August 31, 2010, 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:

State of WASHINGTON
County of KING
Subscribed and sworn to (or affirmed) before me on this 27th day of SEPTEMBER 2010 by
JON TRIBBEL, presented to me on the basis of satisfactory evidences to be the person who appeared before me.

Signature
Title
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 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).
Independent Auditor’s Report

Board of Directors
Conover Securities Corporation:

We have audited the accompanying statement of financial condition of Conover Securities Corporation (the Company) as of August 31, 2010, 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 Conover Securities Corporation as of August 31, 2010, and the results of its income 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 Schedules I, II, and III 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.

Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
October 21, 2010
Conover Securities Corporation
Statement of Financial Condition
August 31, 2010

Assets

Cash and cash equivalents $ 57,130
Accounts receivable 618
Receivable from related party 101,012
Commissions receivable 6,320
Prepaid expense 2,695
Total assets $ 167,775

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses $ 926
Commissions payable 2,414
Accrued payroll expenses 3,279
Total liabilities 6,619

Stockholder's equity

Common stock, no par value, 50,000 shares authorized,
23,500 shares issued and outstanding 194,500
Accumulated deficit (33,344)
Total stockholder's equity 161,156

Total liabilities and stockholder's equity $ 167,775

The accompanying notes are an integral part of these financial statements.
Conover Securities Corporation
Statement of Income
For the Year Ended August 31, 2010

Revenues

Commissions $307,788
Interest income 16

Total revenues $307,804

Expenses

Employee compensation & benefits 173,547
Commissions, trading fees and floor brokerage 63,885
Occupancy and equipment rental 24,000
Taxes, other than income taxes 11,209
Other operating expenses 18,228

Total expenses $290,869

Net income (loss) before income tax provision 16,935

Income tax provision

Net income (loss) $16,935

The accompanying notes are an integral part of these financial statements.
Conover Securities Corporation  
Statement of Changes in Stockholders Equity  
For the Year Ended August 31, 2010

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Accumulated Deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at August 31, 2009</td>
<td>$ 94,500</td>
<td>$(50,279)</td>
<td>$ 44,221</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>-</td>
<td>16,935</td>
<td>16,935</td>
</tr>
<tr>
<td>Balance at August 31, 2010</td>
<td>$ 194,500</td>
<td>$(33,344)</td>
<td>$161,156</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Conover Securities Corporation
Statement of Cash Flows
For the Year Ended August 31, 2010

Cash flow from operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>$16,935</td>
</tr>
<tr>
<td>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$(543)</td>
</tr>
<tr>
<td>Receivable from related party</td>
<td>$(101,012)</td>
</tr>
<tr>
<td>Commissions receivable</td>
<td>$(6,255)</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>$(2,695)</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$(102)</td>
</tr>
<tr>
<td>Commissions payable</td>
<td>$2,395</td>
</tr>
<tr>
<td>Accrued payroll expenses</td>
<td>$1,414</td>
</tr>
<tr>
<td>Rent payable</td>
<td>$(24,000)</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>$(130,798)</td>
</tr>
</tbody>
</table>

Net cash and cash equivalents provided by (used in) operating activities (113,863)

Net cash and cash equivalents provided by (used in) investing activities -

Cash flow from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

Net cash and cash equivalents provided by (used in) financing activities $100,000

Net increase (decrease) in cash and cash equivalents (13,863)

Cash and cash equivalents at beginning of year $70,993

Cash and cash equivalents at end of year $57,130

Supplemental disclosure of cash flow information:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid during the year for:</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$-</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$-</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General


The Company is a wholly-owned subsidiary of Abacus Group LLC (the "Parent").

The Company is engaged in business as a securities broker-dealer, which provides several classes of services, including (1) mutual fund retailer, (2) municipal securities broker, (3) broker or dealer selling variable life insurance or annuities, (4) and non-exchange member arranging for transactions in listed securities by exchange member.

Under its membership agreement with FINRA and pursuant to Rule 15c3-3(k)(2)(ii), the Company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers. Accordingly, the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For purposes relating to the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months, that are not held for sale in the ordinary course of business.

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.
Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Securities transactions and related commission revenues and expenses are recorded on a settlement date basis. Accounting principles generally accepted in the United States of America require transactions to be recorded on a trade date basis, however, there is no material difference between trade date and settlement date for the Company.

Mutual fund and annuity income are recognized when earned.

The Company has adopted FASB ASC 320, Investments — Debt and Equity Securities. As such, marketable securities held by the Company are classified as trading securities and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses on marketable securities are computed based on specific identification of recorded cost, with the change in fair value during the period included in income.

The Company accounts for its income taxes in accordance with FASB ASC 740, Income Taxes. This standard requires the establishment of a deferred tax asset or liability to recognize the future tax effects of transactions that have not been recognized for tax purposes, including taxable and deductible temporary differences, as well as net operating loss and tax credit carryforwards. Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

Current income taxes are provided for estimated taxes payable or refundable based on tax returns. Deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences in the basis of assets and liabilities for financial and tax reporting purposes. Measurement of current and deferred tax assets and liabilities is based on provisions of enacted federal and state tax laws.

Washington does not impose a state income or franchise tax, however, the Company is subject to a business and occupation tax based on gross receipts.

Equipment and furniture are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred: major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Equipment and furniture are depreciated over their estimated useful lives of five (5) years by the straight-line method. The equipment and furniture are fully depreciated as of August 31, 2010.
Note 2: INCOME TAXES

The provision for income tax expense (benefit) is composed of the following:

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Deferred</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>$</td>
<td>- $</td>
<td>-</td>
</tr>
<tr>
<td>State</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total income tax expense (benefit)</td>
<td>-</td>
<td>-</td>
<td>$</td>
</tr>
</tbody>
</table>

The Company has available at August 31, 2010, unused operating loss carry-forwards, which may be applied against future taxable income, resulting in the deferred tax asset of approximately $11,961 that expires as follows:

<table>
<thead>
<tr>
<th>Amount of unused operating loss carry-forwards</th>
<th>Expiration during year ended August 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 6,008</td>
<td>2026</td>
</tr>
<tr>
<td>56,238</td>
<td>2028</td>
</tr>
<tr>
<td>7,341</td>
<td>2029</td>
</tr>
<tr>
<td>10,156</td>
<td>2030</td>
</tr>
<tr>
<td>$ 79,743</td>
<td></td>
</tr>
</tbody>
</table>

A 100% valuation allowance has been established against this asset since management cannot determine if it is more likely than not that the asset will be realized.

Note 3: GROSS RECEIPTS TAX

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company is subject to a state business and occupation tax based on gross receipts. At August 31, 2010, the Company recorded $4,395 of such expenses. These amounts are included in "Taxes, licenses and fees, other than income taxes".

Note 4: RELATED PARTY TRANSACTIONS

The Company has an expense sharing agreement with Abacus Group LLC (the "Parent") whereby the Company pays Abacus Group LLC, for use of its facilities. Under this agreement, the Company paid Abacus Group LLC $24,000 for rent and utilities.
Conover Securities Corporation
Notes to Financial Statements
August 31, 2010

Note 4: RELATED PARTY TRANSACTIONS
(Continued)

On September 1, 2009, the Company entered into a contract for the purchase of substantially all of
the assets of an investment brokerage firm. The total purchase price of the transaction was
$360,000; $92,500 of which the Company paid initially. The contract was then restructured to
reassign the purchase to the Parent of the Company. At August 31, 2010, the Parent owes
$101,012 to the Company, including $8,512 of interest that the Company has paid relative to the
purchase.

It is possible that the terms of certain of the related party transactions are not the same as those that
would result for transactions among wholly unrelated parties.

Note 5: CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and 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.

Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board (the “FASB”) issued a new professional standard in
June of 2009 which resulted in a major restructuring of U.S. accounting and reporting standards.
The new professional standard, issued as ASC 105 (“ASC 105”), establishes the Accounting
Standards Codification (“Codification or ASC”) as the source of authoritative accounting
principles (“GAAP”) recognized by the FASB. The principles embodied in the Codification are to
be applied by nongovernmental entities in the preparation of financial statements in accordance
with generally accepted accounting principles in the United States. Rules and interpretive releases
of the Securities and Exchange Commission (“SEC”) issued under authority of federal securities
laws are also sources of GAAP for SEC registrants. Existing GAAP was not intended to be
changed as a result of the Codification, and accordingly the change did not impact the financial
statements of the Company.

For the year ending August 31, 2010, various accounting pronouncements or interpretations by the
Financial Accounting Standards Board were either newly issued or had effective implementation
dates that would require their provisions to be reflected in the financial statements for the year then
ended. The Company has reviewed the following Statements of Financial Accounting Standards
(“SFAS”) /Accounting Standards Codification (“ASC”) topics for the year to determine relevance
to the Company’s operations:
Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS

(Continued)

<table>
<thead>
<tr>
<th>Statement No.</th>
<th>Title</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFAS 141(R)/</td>
<td>Business Combinations</td>
<td>After December 15, 2008</td>
</tr>
<tr>
<td>ASC 805</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFAS 157/</td>
<td>Fair Value Measurements</td>
<td>After November 15, 2008</td>
</tr>
<tr>
<td>ASC 820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFAS 161/</td>
<td>Disclosures about Derivative Instruments and Hedging Activities –</td>
<td>After December 15, 2008</td>
</tr>
<tr>
<td>ASC 815</td>
<td>an Amendment of FASB Statement No. 133</td>
<td></td>
</tr>
<tr>
<td>SFAS 165/</td>
<td>Subsequent Events</td>
<td>After June 15, 2009</td>
</tr>
<tr>
<td>ASC 855</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFAS 166*/</td>
<td>Accounting for Transfers of Financial Assets – an Interpretation of</td>
<td>After November 15, 2009</td>
</tr>
<tr>
<td>ASC 860</td>
<td>FASB Statement No. 140</td>
<td></td>
</tr>
<tr>
<td>SFAS 167*/</td>
<td>Amendments to FASB Interpretation No. 46(R)</td>
<td>After November 15, 2009</td>
</tr>
<tr>
<td>ASC 810</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFAS 168/</td>
<td>The FASB Accounting Standards Codification and the Hierarchy of</td>
<td>After September 15, 2009</td>
</tr>
<tr>
<td>ASC 105</td>
<td>Generally Accepted Accounting Principles – a replacement of FASB</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Statement 162</td>
<td></td>
</tr>
</tbody>
</table>

*Currently being processed for inclusion in the Codification

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company’s financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.
Note 7: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Net capital and aggregate indebtedness change day to day, but on August 31, 2010, the Company had net capital of $56,831 which was $51,831 in excess of its required net capital of $5,000; and the Company's ratio of aggregate indebtedness ($6,619) to net capital was 0.12 to 1, which is less than the 15 to 1 maximum allowed.

Note 8: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a difference of $2,357 between the computation of net capital under net capital SEC Rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net capital per unaudited schedule</td>
<td>$54,474</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>$2,540</td>
</tr>
<tr>
<td>Non-allowable assets</td>
<td>(183)</td>
</tr>
<tr>
<td>Haircuts &amp; undue concentration</td>
<td>-</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>2,357</td>
</tr>
<tr>
<td>Net capital per audited statements</td>
<td>$56,831</td>
</tr>
</tbody>
</table>

10
Conover Securities Corporation
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of August 31, 2010

Computation of net capital

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>$194,500</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>$(33,344)</td>
</tr>
<tr>
<td><strong>Total stockholder’s equity</strong></td>
<td>$161,156</td>
</tr>
<tr>
<td>Less: Non-allowable assets</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$(618)</td>
</tr>
<tr>
<td>Receivable from related party</td>
<td>$(101,012)</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>$(2,695)</td>
</tr>
<tr>
<td><strong>Total non-allowable assets</strong></td>
<td>$(104,325)</td>
</tr>
</tbody>
</table>

Net capital

56,831

Computation of net capital requirements

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum net capital requirements</td>
<td></td>
</tr>
<tr>
<td>6 2/3 percent of net aggregate indebtedness</td>
<td>$441</td>
</tr>
<tr>
<td>Minimum dollar net capital required</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

Net capital required (greater of above)  

5,000

Excess net capital

51,831

Ratio of aggregate indebtedness to net capital

0.12 : 1

There was a difference of $2,357 between net capital computation shown here and the net capital computation shown on the Company’s unaudited Form X-17A-5 report dated August 31, 2010. See Note 8.

See independent auditor’s report
A computation of reserve requirements is not applicable to Conover Securities Corporation as the Company qualifies for exemption under Rule 15c3-3(k)(2)(ii).
Conover Securities Corporation
Schedule III - Information Relating to Possession or Control
Requirements Pursuant to Rule 15c3-3
As of August 31, 2010

Information relating to possession or control requirements is not applicable to Conover Securities Corporation as the Company qualifies for exemption under Rule 15c3-3(k)(2)(ii).

See independent auditor's report
Conover Securities Corporation

Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5

For the Year Ended August 31, 2010
Board of Directors
Conover Securities Corporation:

In planning and performing our audit of the financial statements of Conover Securities Corporation (the Company), as of and for the year ended August 31, 2010, 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 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 the quarterly securities examinations, counts, verifications and comparisons, and the 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 August 31, 2010, to meet the SEC’s objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, 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.

Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
October 21, 2010