



OATH OR AFFIRMATION

I, JACK BILTIS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DIAMOND BAY SECURITIES CORP., as of JUNE 30, 20 11, 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:



CHERYL JONES
Notary Public - Arizona
Maricopa County
Expires 10/31/2012

Handwritten signature of Jack Biltis

Signature

Handwritten title: President F/WOP

Title

Handwritten signature of Cheryl Jones

Notary Public

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

- (a) Facing Page.
(b) Statement of Net Assets in Liquidation.
(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 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).

# **SCHUMANN, ADRIANO & COMPANY, P.L.L.C.**

*Certified Public Accountants*

*Merlin J. Schumann, CPA  
Charles M. Adriano, CPA*

*Shayne P. Theobald  
Scott R. Gastineau, CPA*

## Independent Auditors' Report

August 25, 2011

The Board of Directors  
Diamond Bay Securities Corporation

We have audited the accompanying statement of financial condition of Diamond Bay Securities Corporation (the Company), as of June 30, 2011, 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 Diamond Bay Securities Corporation as of June 30, 2011, and the results of its operations, changes in stockholder's equity, 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 and II 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.

Respectfully submitted,

*Schumann Adriano & Company*

**DIAMOND BAY SECURITIES CORPORATION**  
**Statement of Financial Condition**  
**June 30, 2011**

**Assets**

Cash and cash equivalents	\$ 24,402
Other assets	167
	<hr/>
Total Assets	\$ 24,569
	<hr/> <hr/>

**Liabilities**

Accrued liabilities	\$ 3,550
Income tax payable	2,760
	<hr/>
Total Liabilities	6,310
	<hr/>

**Stockholders' equity**

Common stock, par .0000001, 20,000,000 shares authorized, 200,000 shares issued and outstanding	-
Additional paid in capital	32,874
Retained earnings (deficit)	(14,615)
	<hr/>
Total Stockholder's Equity	18,259
	<hr/>
Total Liabilities and Stockholder's Equity	\$ 24,569
	<hr/> <hr/>

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

**DIAMOND BAY SECURITIES CORPORATION**  
**Statement of Income**  
**For the Year Ended June 30, 2011**

**Revenues**

Consulting income	\$ 68,000
Interest income	2
	<hr/>
Total Revenues	68,002
	<hr/>

**Expenses**

Legal and professional	16,860
Regulatory fees and expenses	6,211
Management fees	21,000
Other expenses	2,167
	<hr/>
Total Expenses	46,238
	<hr/>
Net Income Before Income Taxes	21,764
	<hr/>
Provision for Income Taxes	(2,760)
	<hr/>
Net Income After Income Taxes	\$ 19,004
	<hr/> <hr/>

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

**DIAMOND BAY SECURITIES CORPORATION**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

<b>Cash flows from operating activities</b>	
Net income	\$ 19,004
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase (decrease) in cash resulting from change in:	
Deposits	(162)
Accounts payable and accrued expenses	2,839
Income tax payable	2,760
	<hr/>
Net cash provided by operating activities	24,441
	<hr/>
<b>Cash flows from financing activities</b>	
Treasury stock transaction	(12,624)
	<hr/>
<b>Net increase in cash and cash equivalents</b>	11,817
<b>Cash and cash equivalents at beginning of year</b>	12,585
	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 24,402</b>
	<hr/> <hr/>

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

**DIAMOND BAY SECURITIES CORPORATION**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended June 30, 2011**

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
<b>Balance, July 1, 2010</b>	2	45,496		\$ (33,619)	\$ 11,879
<b>Net income for the year ended June 30, 2011</b>				19,004	19,004
<b>Treasury stock purchased</b>			(12,624)		(12,624)
<b>Retirement of treasury stock</b>	(2)	(12,622)	12,624		-
<b>Balance, June 30, 2011</b>	<u>-</u>	<u>32,874</u>	<u>-</u>	<u>\$ (14,615)</u>	<u>\$ 18,259</u>

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

**DIAMOND BAY SECURITIES CORPORATION**  
**Notes to Financial Statements**  
**June 30, 2011**

**1. Summary of significant accounting policies**

**a. Basis of presentation**

Diamond Bay Securities Corporation is licensed to conduct business as a securities broker-dealer in Phoenix, Arizona. These statements have been prepared in accordance with established standards for securities broker-dealers. The following is a summary of significant accounting policies followed by the Company. The policies conform with accounting principles generally accepted in the United States of America and require management to make estimates and assumptions that affect the reported amounts of assets, 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. For the year ended June 30, 2011, there was no difference between the Company's net income and comprehensive income.

**b. Statement of cash flows**

For purposes of 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.

**c. Income Taxes**

The Company has adopted financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Company has reviewed all open tax years and concluded that there is no impact on the Company's financial statements and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. As of June 30, 2011, open federal tax years include the tax years ended June 30, 2006 through June 30, 2010.

**d. Revenue recognition**

Consulting income is recorded in the period services are rendered.

**2. Status of Operations and Change in Ownership**

The Company has had minimal activity in recent years, with no securities trading activity.

The Company was purchased by a new owner in January 1, 2011, in order to obtain the securities broker license. The Company currently has no securities trading activity but does intend to begin activities in the near future.

**DIAMOND BAY SECURITIES CORPORATION**  
**Notes to Financial Statements**  
**June 30, 2011**

**3. Income Taxes**

The provision for income tax for the year ending June 30, 2011 consists of the following:

Current estimated tax	\$ 4,781
Reduction of deferred tax asset valuation allowance	<u>(2,021)</u>
	<u>\$ ( 2,760)</u>

During the year ending June 30, 2011 the Company reduced its valuation due to the increased likelihood that the Company would generate sufficient taxable income in the future to fully utilize the net deferred income tax asset calculated at June 30, 2010.

The company has federal net operating loss carryforwards at the beginning of the year totaling to \$83,054. The amount estimated to be used against net income for the year ending June 30, 2011 was \$13,472. At June 30, 2011, the Company has remaining federal net operating losses that will expire are set to expire as follows:

2029	\$66,616
2030	<u>2,966</u>
	<u>\$69,582</u>

The deferred tax asset relating to the federal net operating loss is estimated to be \$10,437. The Company has a valuation allowance in this amount as, due to ownership change, the Company will not be able to receive most of the benefits of the net operating losses.

**4. Net capital**

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 of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1). At June 30, 2011, the Company had net capital of \$18,092, which was \$13,092 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .35 to 1.

**5. Concentrations**

Substantially all of the Company's income for June 30, 2011 was derived from a consulting contract with a single related party.

**6. Related party transactions**

Included in the revenues is consulting income with related party totaling to \$68,000 for the year ended June 30, 2011.

The Company also pays fees in relation to the use of facilities, equipment and personnel. The fees paid to the related party for these services for the year ending June 30, 2011 were \$21,000.

**DIAMOND BAY SECURITIES CORPORATION**  
**Notes to Financial Statements**  
**June 30, 2011**

**7. Subsequent events**

The company has evaluated subsequent events through August 25, 2011, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

Schedule I

**DIAMOND BAY SECURITIES CORPORATION**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**As of June 30, 2011**

<b>Net Capital</b>		
Total stockholder's equity	\$	18,259
<b>Nonallowable assets</b>		
Other assets		<u>167</u>
Total deductions		<u>167</u>
Net capital before haircuts on securities positions		18,092
<b>Haircuts</b>		
Securities		<u>          </u>
Net capital	\$	<u><u>18,092</u></u>
<b>Aggregate indebtedness</b>		
Accounts payable, accrued expenses, and other liabilities, as adjusted	\$	<u><u>6,310</u></u>
<b>Computation of basic net capital requirement</b>		
Minimum net capital required (6 2/3% of aggregate indebtedness)	\$	<u><u>421</u></u>
Minimum dollar net capital requirement	\$	<u><u>5,000</u></u>
Net capital requirement (greater of above)	\$	<u><u>5,000</u></u>
Excess net capital	\$	<u><u>13,092</u></u>
Excess net capital at 1000%	\$	<u><u>17,461</u></u>
Ratio: Aggregate indebtedness to net capital		<u><u>.35 to 1</u></u>

Schedule I (continued)

**DIAMOND BAY SECURITIES CORPORATION**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**As of June 30, 2011**

**Reconciliation of the computation of net capital with the computations included  
in Part IIA of Form X17A-5 as of the same date.**

Net capital per focus report	\$	20,852
Income tax payable		(2,760)
Net capital per audit report	\$	<u>18,092</u>

**Schedule II**

**DIAMOND BAY SECURITIES CORPORATION**  
**As of June 30, 2011**

**Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the  
Securities and Exchange Commission**

The Company currently has no securities transactions with clients. The Company therefore meets the requirements of paragraph (k)(2)(ii) of Rule 15c3-3 and is exempt from the computation of cash reserves requirements for brokers and dealers.

**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended JUNE 30, 2011  
(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:

014485 FINRA JUN  
DIAMOND BAY SECURITIES CORP  
20815 N CAVE CREEK RD  
PHOENIX AZ 85024-4481

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.

JACK BILTIS

623-792-9300

2. A. General Assessment (Item 2e from page 2)	\$ 170.63
B. Less payment made with SIPC-6 filed (exclude interest)	( 65.63 )
<u>1/31/11</u>	
Date Paid	
C. Less prior overpayment applied	( )
D. Assessment balance due or (overpayment)	105.00
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	0.00
F. Total assessment balance and interest due (or overpayment carried forward)	\$ 105.00
G. PAID WITH THIS FORM:	
Check enclosed, payable to SIPC	
Total (must be same as F above)	\$ 105.00
H. Overpayment carried forward	\$( )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):  
NONE

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.

DIAMOND BAY SECURITIES CORP.

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

(Title)

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 07/01, 2010  
and ending 06/30, 2011  
Eliminate cents

Item No.

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

\$ 68,002

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):

\_\_\_\_\_

(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.

\$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

\_\_\_\_\_

Total deductions

\_\_\_\_\_

2d. SIPC Net Operating Revenues

\$ 68,002

2e. General Assessment @ .0025

\$ 170.63

(to page 1, line 2.A.)

# **SCHUMANN, ADRIANO & COMPANY, P.L.L.C.**

*Certified Public Accountants*

*Merlin J. Schumann, CPA  
Charles M. Adriano, CPA*

*Shayne P. Theobald  
Scott R. Gastineau, CPA*

## **Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5**

Board of Directors  
Diamond Bay Securities Corporation

In planning and performing our audit of the financial statements of Diamond Bay Securities Corporation (the Company), as of and for the year ended June 30, 2011 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 quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted account 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.

**Independent Auditor's Report on Internal Control Structure Required by  
SEC Rule 17a-5, continued**

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. As the Company has not yet begun performing securities transactions, 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 June 30, 2011, 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.



Schumann, Adriano & Company, P.L.L.C.

Certified Public Accountants

August 25, 2011

**DIAMOND BAY SECURITIES CORPORATION**  
**Financial Statements**  
**June 30, 2011**