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

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8- 65721

SEC  
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188

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 12/01/10 AND ENDING 11/30/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: LiabSol, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
17C Curzon Street

London United Kingdom W1J5HU  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Richard Malpas 011+44 (020) 7659-6950  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

110 Wall Street, 11th Floor New York NY 10005  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- 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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a.s  
2/12/12

OATH OR AFFIRMATION

I, Richard Malpas, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LiabSol Inc. of November 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:

N/A

[Handwritten Signature]

Signature

CEO

Title

[Handwritten Signature]

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.

**RYAN EDWARD RONALD MOODY**  
Notary Public of London, England  
My commission expires with life  
Jan. 27<sup>th</sup>, 2012

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



**LIABSOL INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**For the Years Ended**  
**November 30, 2011 and 2010**

# LIABSOL INC.

For the Years Ended  
November 30, 2011 and 2010

## CONTENTS

<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Cash Flows	4
Statements of Changes in Stockholder's Equity	5
Statements of Changes in Liabilities Subordinated to Claims of Creditors	5
Notes to Financial Statements	6-9
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 and Related Reconciliation to the Computation of Net Capital Included in Part IIA of Form X-17A-5	10
Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3	11
Report by Independent Certified Public Accountants on Internal Control	12-13



110 WALL STREET, NEW YORK, NEW YORK 10005 (212) 785-9700

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
LiabSol Inc.

We have audited the accompanying statements of financial condition of LiabSol Inc. as of November 30, 2011 and 2010 and the related statements of operations, changes in stockholder's equity, and, cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 LiabSol Inc. at November 30, 2011 and 2010 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedule of Computation of Net Capital for Broker Dealers Pursuant to Rule 15c3-1 and the Reconciliation to the Computation of Net Capital Included in Part IIA of Form X-17A-5 and the Schedule of Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are 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 audits 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.

*KBL, LLP*

New York, New York  
January 24, 2012

**LiabSol Inc.**  
**Statements of Financial Condition**

	November 30,	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash	\$ 29,598	\$ 44,255
Prepaid expenses	2,619	2,088
Total Current Assets	<u>32,217</u>	<u>46,343</u>
Restricted Cash Held by Bank as Collateral for Letter of Credit	-	352
Total Assets	<u>\$ 32,217</u>	<u>\$ 46,695</u>
<b>Liabilities and Stockholder's Equity</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 10,114	\$ 10,000
Due to Parent Company - Liability Solutions Limited	<u>2,800</u>	<u>400</u>
Total Liabilities	<u>12,914</u>	<u>10,400</u>
<b>Stockholder's Equity</b>		
Common stock, no par value, 200 shares authorized, 100 shares issued and outstanding	5,000	5,000
Additional Paid-In Capital	<u>2,314,259</u>	<u>2,314,259</u>
	2,319,259	2,319,259
Accumulated Deficit	<u>(2,299,956)</u>	<u>(2,282,964)</u>
Total Stockholder's Equity	<u>19,303</u>	<u>36,295</u>
Total Liabilities & Stockholder's Equity	<u>\$ 32,217</u>	<u>\$ 46,695</u>

The accompanying notes are an integral part of these financial statements

**LiabSol Inc.**  
**Statements of Operations**

	Year Ended November 30,	
	2011	2010
<b>Revenues</b>		
Fee Income	\$ 44,217	\$ 96,470
Interest Income	31	862
Total Revenues	<u>44,248</u>	<u>97,332</u>
<b>Expenses</b>		
Employee Compensation, Payroll Taxes and Benefits	-	13,485
Regulatory Compliance	11,297	12,765
Occupancy Costs	-	266,176
Travel and Related Expenses	-	564
Accounting and Auditing	34,042	32,807
Other Operating Expenses	11,909	78,212
Communications and Data Processing	3,992	11,007
Loss on Abandonment of Furniture and Equipment	-	48,752
Interest Expense	-	46,747
Total Expenses	<u>61,240</u>	<u>510,515</u>
Net (Loss)	<u>\$ (16,992)</u>	<u>\$ (413,183)</u>

The accompanying notes are an integral part of these financial statements

**LiabSol Inc.**  
**Statements of Cash Flows**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Net (Loss)	\$ (16,992)	\$ (413,183)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Loss on Abandonment of Furniture and Equipment	-	48,752
Interest Income Earned on Restricted Cash Held by Bank as Collateral for Letter of Credit	-	(352)
Execution of Letter of Credit in connection with lease default funded by Restricted Cash held by Bank as collateral	-	206,470
Interest Income Earned on Restricted Cash Held (Increase) Decrease in Prepaid Expenses	(531)	8,702
Increase (Decrease) in Accounts Payable and Accrued Expenses	114	(17,652)
(Decrease) in Deferred Rent Concession	-	(8,316)
Decrease in Due from Affiliate - Liability Solutions International Limited	-	76,002
Increase in Due to Parent Company - Liability Solutions Limited	2,400	400
Interest Accrued on Subordinated Loan from Parent Company	-	46,746
Net cash (used for) operating activities	<u>(15,009)</u>	<u>(52,431)</u>
<b>Cash flows from investing activities:</b>		
Decrease in Cash Held by Bank as Collateral for Letter of Credit	352	16,878
Net cash provided by investing activities	<u>352</u>	<u>16,878</u>
<b>Cash flows from financing activities:</b>		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
(Decrease) in Cash	(14,657)	(35,553)
Cash at Beginning of Period	44,255	79,808
<b>Cash at End of Period</b>	<u>\$ 29,598</u>	<u>\$ 44,255</u>
<b>Supplemental cash flow disclosures:</b>		
Cash paid during the period for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income Taxes	<u>\$ 54</u>	<u>\$ 885</u>
Non-cash financing activities:		
Subordinated Loans from Parent Company converted into Additional Paid-in Capital	<u>\$ -</u>	<u>\$ 1,204,999</u>

The accompanying notes are an integral part of these financial statements

## LiabSol Inc.

### Statements of Changes in Stockholder's Equity

For the Years Ended November 30, 2011 and 2010

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid in Capital	Deficit	Stockholder's Equity
<b>Balances at December 1, 2009</b>	100	\$ 5,000	\$ 1,109,261	\$ (1,869,781)	\$ (755,520)
Conversion of Subordinated Loans Payable into Additional Paid-in Capital			1,204,998		1,204,998
Net (Loss)	-	-	-	(413,183)	(413,183)
<b>Balances at November 30, 2010</b>	100	5,000	2,314,259	(2,282,964)	36,295
Net (Loss)	-	-	-	(16,992)	(16,992)
<b>Balances at November 30, 2011</b>	100	\$ 5,000	\$ 2,314,259	\$ (2,299,956)	\$ 19,303

## LiabSol Inc.

### Statements of Changes in Liabilities Subordinated to Claims of Creditors

For the Years Ended November 30, 2011 and 2010

<b>Balances at December 1, 2009</b>	\$ 1,158,252
Interest accrued on subordinated loan	46,746
Amount converted to additional paid in capital	(1,204,998)
<b>Balances at November 30, 2010</b>	\$ -
<b>Balances at November 30, 2011</b>	\$ -

The accompanying notes are an integral part of these financial statements

## **Liabsol, Inc.**

### **Notes to Financial Statements**

November 30, 2011 and 2010

#### **NOTE 1 -- ORGANIZATION AND NATURE OF OPERATIONS**

##### **Organization and Operations:**

LiabSol Inc. (the "Company" or "LSI") is a broker-dealer registered under Section 15(b) of the Securities Exchange Act of 1934. The Company is currently a member of the Financial Industry Regulatory Authority (FINRA), the securities industry's non-governmental regulatory organization, formed by consolidation of the regulatory operations of NASD and NYSE. It has been a member of the National Association of Securities Dealers (NASD) since June 5, 2003. The Company was incorporated on July 12, 2002 in the State of New York and has its principal business location in London, England. It is a wholly owned subsidiary of Liability Solutions Limited ("LSL") which is based in London, United Kingdom. LSL is a wholly owned subsidiary of Liability Solutions International Limited ("LSIL"), which in turn is a wholly owned subsidiary of Liability Solutions Group Limited the ultimate parent undertaking.

The Company does not carry securities accounts for customers, nor does it perform custodial functions relating to customer securities.

##### **Recently Issued Accounting Pronouncements:**

The Company does not believe that the adoption of any recently issued, but not yet effective, accounting standards will have a material effect on its financial position and results of operations.

#### **NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### **b. Revenue Recognition**

For the years ended November 30, 2011 and 2010, the Company recognized as income a 100% allocation of revenues (management and performance fees) generated from placements of funds managed in the United States with United States based institutions. The Board of Directors of LSL approved the allocation of \$44,217 (2011) and \$85,220 (2010) of the management and performance fees.

The Company no longer employs any staff and utilizes the staff of LSL for day to day administrative and regulatory functions.

##### **c. 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.

##### **d. Risks, Uncertainties and Certain Concentration of Credit Risks and Economic Dependency**

The Company is dependent on the continued financial support by LSL, its parent company. While LSL has promised continued support of the Company for the foreseeable future, it is dependent on the continued financial viability of LSL and its parent company, LSIL. The Company's expenses are limited

## **Liabsol, Inc.**

### **Notes to Financial Statements**

November 30, 2011 and 2010

to recurring administrative costs such as audit fees, accounting fees and FINRA related costs. Management prepares annual budgets and monitors these costs against the budget.

Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash balances in banks. The Company's cash balances are on deposit with Citibank in accounts which are federally insured although bank balances generally exceed limits of federal insurance. Management believes that no significant concentration of credit risk exists with respect to those cash balances.

#### **f. Fair Values of Financial Instruments**

Financial Accounting Standards Board Accounting Standards Codification ("ASC") 825, "Financial Instruments", requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments: The carrying amount of cash, accounts receivable, if any, other current assets, accounts payable, accrued expenses and intercompany liabilities, approximate fair value because of the short maturity of those instruments.

#### **g. Cash Equivalents**

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

### **NOTE 3 -- INCOME TAXES**

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized.

The principal components of the deferred tax assets relate to net operating loss carryovers. As of November 30, 2011, the Company had net operating loss carryovers approximating \$2,012,000 for Federal and and \$2,006,000 for state. The net operating loss carryovers expire at various dates through 2031, and because of the uncertainty in the Company's ability to utilize the net operating loss carryovers, a full valuation allowance of approximately \$805,000 and \$800,000 has been provided on the deferred tax asset at November 30, 2011 and 2010, respectively. The increase in the valuation allowance in the year ended November 30, 2011 was \$5,000. Internal Revenue Code Section 382 imposes limitations on the use of net operating loss carryovers when the stock ownership of one or more 5% shareholders (shareholders owning 5% or more of the Company's outstanding capital stock) has increased by more than 50 percentage points.

The Company follows the guidelines under ASC 740 for *Uncertain Tax Positions*. This prescribes a threshold condition that a tax position must meet for any of the benefits of the uncertain tax position to be

**Liabsol, Inc.****Notes to Financial Statements**

November 30, 2011 and 2010

recognized in the financial statements. It also provides accounting guidance on derecognizing, classification and disclosure of these uncertain tax positions.

Interest costs and penalties related to income taxes are classified as interest expense and general and administrative costs, respectively, in the Company's financial statements. For the years ended November 30, 2011 and 2010, the Company did not recognize any interest or penalty expense related to income taxes. The Company is currently subject to a three year statute of limitations by major tax jurisdictions. The Company files income tax returns in the U.S. federal jurisdiction, New York State and New York City.

**NOTE 4 -- STOCKHOLDER'S CONTRIBUTED CAPITAL**

At the time of its incorporation in New York, the Company was authorized to issue 200 shares of its no par value common stock. In 2002, the Company issued 100 shares of its no par value common stock to LSL for \$5,000. From the Company's inception (July 12, 2002) through November 30, 2011, LSL (the Company's U.K. parent and the sole owner of all of the Company's issued shares) made contributions of additional paid in capital aggregating \$2,314,259.

**NOTE 5 -- RELATED PARTY TRANSACTIONS****Balances Due To or From Affiliates**

The Company owed LSL \$2,800 and \$400 on account of unsettled intercompany transactions as of November 30, 2011 and 2010.

**Fee Income Substantially Earned from Parent Company**

The Company earned the following fees from LSL for the years ended November 30, 2011 and 2010.

	Year Ended November 30,	
	2011	2010
Management Fee	\$ 44,217	\$ 68,087
Performance Fees	-	17,133
Service Fee Income	-	-
	<u>\$ 44,217</u>	<u>\$ 85,220</u>

**Expenses Charged by Parent Company**

Pursuant to a Management Services Agreement, the Company receives executive, financial, sales and marketing, information technology and general services from its parent company, LSL. LSL charged the Company for these expenses, which are included with Other Operating Expenses in the Statements of Operations as follows:

**Liabsol, Inc.**  
**Notes to Financial Statements**  
November 30, 2011 and 2010

	Year Ended November 30,	
	2011	2010
Administration	\$ 2,400	\$ 400
	<u>\$ 2,400</u>	<u>\$ 400</u>

**NOTE 6 -- NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital as defined, to not exceed 15 to 1. At November 30, 2011, the Company's minimum capital requirement was \$861 and is required at all times to maintain minimum dollar net capital of no less than \$5,000. At November 30, 2011, the Company had net capital of \$16,684. The Company had an aggregate indebtedness to net capital ratio of 0.77 to 1. The Company's overseas parent, LSL, has committed to contribute additional capital or to make subordinated loans to be treated as capital on an as needed basis, such commitment being supported by LSL's parent company, LSIL. Such contributions will be made as necessary for the Company to continue to maintain its required minimum capital.

**NOTE 7 -- SUBSEQUENT EVENTS**

We evaluated events occurring between the end of our fiscal year, November 30, 2010, and January 24, 2012 when the financial statements were issued.

## LiabSol Inc.

### Schedule of Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1

November 30, 2011

Assets	\$ 32,217
Less Liabilities	(12,914)
Total Ownership Equity	19,303
Plus Subordinated Liabilities	-
<b>Total Capital and Allowable Subordinated Liabilities</b>	19,303
Less Non-allowables	(2,619)
<b>Net Capital Before Haircuts and Undue Concentration</b>	16,684
Less Haircuts and Undue Concentration	-
<b>Net Capital</b>	16,684
Minimum Capital Requirement	861
Minimum dollar net capital requirement	5,000
Excess Net Capital	\$ 11,684
Total Aggregate Indebtedness	\$ 12,914
Excess Net Capital at 1000%	\$ 15,393
Percentage of Aggregate Indebtedness to Net Capital	77%

### Reconciliation to the Computation of Net Capital Included in Part IIA of Form X-17a-5 as of November 30, 2011

Net Capital per above	\$ 16,684
Adjustments	-
Net Capital Included in Part IIA of Form X-17a-5 as of November 30, 2011	\$ 16,684

**Liabsol, Inc.**

**Computation for Determination of Reserve Requirements for  
Brokers and Dealers Pursuant to Rule 15c3-3**

**November 30, 2011**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(I) of the Rule.



110 WALL STREET, NEW YORK, NEW YORK 10005 (212) 785-9700

### **Report by Independent Certified Public Accountants on Internal Control**

Board of Directors  
LiabSol, Inc.

In planning and performing our audits of the financial statements and supplemental schedules of LiabSol, Inc. (the Company), for the years ended November 30, 2011 and 2010 we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including 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
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board 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 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 would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 were adequate at November 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, the National Association of Securities Dealers (NASD) 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.

*KBL, LLP*

New York, New York  
January 24, 2012