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

SEC FILE NUMBER  
8-52772

Washington DC

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 04/01/2011 AND ENDING 03/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: 3 Mark Equities, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1600 Highway 6 Suite 400

Sugar Land TX 77478  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Betsy E. Riley 281-269-2331  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Hein + Associates LLP

1999 Broadway, Suite 4000 Denver CO 80202  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

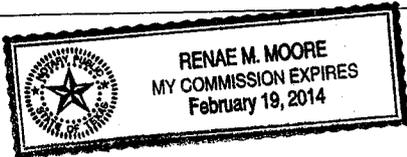
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Call  
6/1/12

OATH OR AFFIRMATION

I, Betsy E. Riley, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of 3 Mark Equities, Inc., as of March 31, 20 12, 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:



Betsy Riley  
Signature

Chief Financial Officer

Title

Renae M. Moore  
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).



HEIN

**3 Mark Equities, Inc.**

*Financial Statements and Supplemental Schedules  
For the Years Ended March 31, 2012 and 2011  
And Independent Auditor's Report on Internal Control*

**3 MARK EQUITIES, INC.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
3 Mark Equities, Inc.  
Houston, Texas

We have audited the accompanying statements of financial condition of 3 Mark Equities, Inc. as of March 31, 2012 and 2011, and the related statements of income, changes in stockholders' 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 3 Mark Equities, Inc. as of March 31, 2012 and 2011, and the results of its operations and its 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 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 and Exchange Act of 1934. These schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Hein &amp; Associates LLP". The signature is written in a cursive, flowing style.

Hein & Associates LLP

Denver, Colorado  
May 14, 2012

**3 MARK EQUITIES, INC.**

**STATEMENTS OF FINANCIAL CONDITION**

	<u>AS OF MARCH 31,</u>	
	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 83,461	\$ 77,793
Commissions receivable	<u>19,039</u>	<u>34,934</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 102,500</u></b>	<b><u>\$ 112,727</u></b>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>LIABILITIES:</b>		
Commissions payable	\$ 15,231	\$ 27,947
Total liabilities	<u>15,231</u>	<u>27,947</u>
<b>STOCKHOLDER'S EQUITY:</b>		
Common stock, \$.01 par value; 1,000 shares authorized, 1,000 shares issued and outstanding	10	10
Additional paid-in capital	9,990	9,990
Retained earnings	<u>77,269</u>	<u>74,780</u>
Total stockholder's equity	<u>87,269</u>	<u>84,780</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 102,500</u></b>	<b><u>\$ 112,727</u></b>

*See accompanying notes to these financial statements.*

**3 MARK EQUITIES, INC.**

**STATEMENTS OF INCOME**

	FOR THE YEARS ENDED	
	MARCH 31,	
	2012	2011
<b>REVENUES</b>	\$ 636,821	\$ 795,232
<b>EXPENSES:</b>		
Commissions	512,219	636,185
Management fee	<u>120,000</u>	<u>120,000</u>
	<u>632,219</u>	<u>756,185</u>
<b>INCOME BEFORE INCOME TAXES</b>	4,602	39,047
<b>INCOME TAXES</b>	<u>(1,610)</u>	<u>(13,666)</u>
<b>NET INCOME</b>	<u>\$ 2,992</u>	<u>\$ 25,381</u>

*See accompanying notes to these financial statements.*

**3 MARK EQUITIES, INC.**

**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

**FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
<b>BALANCES, April 1, 2010</b>	\$ 10	\$ 9,990	\$ 85,820	\$ 95,820
Distributions to Parent	—	—	(36,421)	(36,421)
Net income	—	—	25,381	25,381
<b>BALANCES, March 31, 2011</b>	10	9,990	74,780	84,780
Distributions to Parent	—	—	(503)	(503)
Net income	—	—	2,992	2,992
<b>BALANCES, March 31, 2012</b>	<u>\$ 10</u>	<u>\$ 9,990</u>	<u>\$ 77,269</u>	<u>\$ 87,269</u>

*See accompanying notes to these financial statements.*

**3 MARK EQUITIES, INC.**

**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED	
	MARCH 31,	
	2012	2011
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,992	\$ 25,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Commissions receivable	15,895	(19,044)
Commissions payable	<u>(12,716)</u>	<u>15,235</u>
Net cash provided by operating activities	<u>6,171</u>	<u>21,572</u>
<b>FINANCING ACTIVITIES:</b>		
Capital distributions, net	<u>(503)</u>	<u>(36,421)</u>
Net cash used in financing activities	<u>(503)</u>	<u>(36,421)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,668	(14,849)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>77,793</u>	<u>92,642</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 83,461</u>	<u>\$ 77,793</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid to Parent for income taxes	<u>\$ 1,610</u>	<u>\$ 12,677</u>

*See accompanying notes to these financial statements.*

### 3 MARK EQUITIES, INC.

#### NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Nature of Operations – 3 Mark Equities, Inc. (the “Company”) was incorporated in Delaware on February 16, 2000. The Company is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and was established as a limited broker and dealer involved with wholesaling variable insurance products. The Company receives gross dealer concessions or wholesale concessions from other designated brokers and dealers for sales of variable life insurance products, mutual funds, and corporate debt and equity securities. The Company is a wholly owned subsidiary of 3 Mark Financial, Inc. (the “Parent”).

Cash Equivalents – The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes – The Company provides for deferred income taxes under the liability method. The Company has no temporary differences between the book and tax bases of its assets and liabilities.

The operating results of the Company are included in the consolidated income tax returns filed by the Parent and its affiliates. The Parent’s policy is to allocate income tax liabilities or benefits to the Company on a separate return basis as net income or losses are incurred.

Under the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, the Company found no significant uncertain tax positions as of March 31, 2012 or 2011. The Company’s policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of March 31, 2012 and 2011, the Company made no provision for interest or penalties related to uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and various states. There are currently no federal or state income tax examinations underway for these jurisdictions. Furthermore, the Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for tax years before 2009 and for state and local tax authorities for years before 2009. The Company’s tax years of 2009 and forward are subject to examination by federal and state taxing authorities.

Commission Income and Expense – The Company earns commissions from the sale of mutual funds, unit investment trusts, corporate debt and equity securities through a network of registered representatives of affiliated broker/dealers. The managers of those registered representatives are paid commissions, which generally are approximately 80% of the commission earned by the Company.

Use of Estimates – The preparation of the Company’s financial statements in conformity with generally accepted accounting principles requires the Company’s management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events – The Company has evaluated subsequent events through May 14, 2012, the date on which the financial statements were available to be issued.

*3 MARK EQUITIES, INC.*

**NOTES TO FINANCIAL STATEMENTS**

2. **RELATED PARTY TRANSACTIONS:**

The Company has no full-time employees and shares facilities with its Parent and its affiliates. Accordingly, the Company is economically dependent on its Parent. The Company paid its Parent \$120,000 in management fees for fiscal 2012 and 2011. Management fees are based upon the Parent's estimate of allocable costs, including labor, rent and overhead costs, incurred by the Parent on behalf of the Company. The Parent allocates these costs to the Company based on labor hours and square footage. In addition, the Company paid its Parent approximately \$512,000 and \$636,000 in commissions in fiscal 2012 and 2011, respectively, based on 80% of revenues received. As of March 31, 2012 and 2011, the Company had commissions payable to the Parent of \$15,231 and \$27,947, respectively.

As of March 31, 2012 and 2011, the Company had made overpayments to the Parent, totaling \$503 and \$36,421, respectively, which have been reflected as a distribution in the accompanying financials.

3. **MINIMUM NET CAPITAL REQUIREMENT:**

Pursuant to the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1, the Company is required to maintain a minimum net capital balance and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1, as defined under such rule. At March 31, 2012, the Company had net capital of \$87,269, which was \$82,269 greater than its required net capital of \$5,000. At March 31, 2011, the Company had net capital of \$84,780, which was \$79,780 greater than its required net capital of \$5,000.

4. **RECONCILIATION OF FOCUS REPORT TO AUDITED FINANCIAL STATEMENTS:**

The accompanying audited 2012 and 2011 financial statements reflect certain adjustments to amounts previously reported in the 2012 and 2011 fourth quarter Financial and Operational Combined Uniform Single reports ("FOCUS Reports") filed with the Securities and Exchange Commission. Specifically, the \$552,835 receivable due from the Parent and reported in the 2012 fourth quarter FOCUS Report as a non-allowable asset has been netted within retained earnings against distributions to the Parent. The \$552,332 receivable due from the Parent and reported in the 2011 fourth quarter FOCUS Report as a non-allowable asset has been netted within retained earnings against distributions to the Parent.

**3 MARK EQUITIES, INC.**

**SCHEDULE I**

**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF MARCH 31, 2012 AND 2011**

	MARCH 31,	
	<u>2012</u>	<u>2011</u>
<b>COMPUTATION OF NET CAPITAL:</b>		
Total stockholder's equity (from statement of financial condition)	<u>\$ 87,269</u>	<u>\$ 84,780</u>
Net capital	<u>\$ 87,269</u>	<u>\$ 84,780</u>
<b>COMPUTATION OF AGGREGATE INDEBTEDNESS:</b>		
Total aggregate indebtedness	<u>\$ 15,231</u>	<u>\$ 27,947</u>
Percentage of aggregate indebtedness to net capital	<u>17.45%</u>	<u>32.96%</u>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS:</b>		
Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 1,015</u>	<u>\$ 1,863</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital requirement (greater of above amounts)	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital surplus	<u>\$ 82,269</u>	<u>\$ 79,780</u>

The computation of net capital included in the Company's Form X-17A-5 (FOCUS Report, Part II) as of March 31, 2012 and 2011 does not differ materially from the above presentation.

*3 MARK EQUITIES, INC.*

**SCHEDULE II**

**EXEMPTION CLAIMED FROM THE PROVISIONS OF RULE 15c3-3  
UNDER THE SECURITIES AND EXCHANGE ACT OF 1934  
AS OF MARCH 31, 2012**

Exemption is claimed from the provisions of Rule 15c3-3 of the Securities and Exchange Commission under Section 15c3-3(k)(1) since the Company limits its activities (both principal and agent) to transactions in certain redeemable securities of registered investment companies (mutual funds) or insurance products and does not handle customer funds and/or securities.



Hein & Associates LLP  
1999 Broadway  
Suite 4000  
Denver, Colorado 80202

www.heincpa.com  
p 303.298.9600  
f 303.298.8118

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
3 Mark Equities, Inc.  
Houston, Texas

In planning and performing our audit of the financial statements of 3 Mark Equities, Inc. (the "Company"), as of and for the year ended March 31, 2012, 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 compliance with 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 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 deficiency in internal control 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 deficiency, or combination of deficiencies in internal control, that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses, and therefore, there can be no assurance that all material weaknesses have been identified. 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 March 31, 2012, 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 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.

Yours truly,



Hein & Associates LLP

Denver, Colorado  
May 14, 2012