

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC  
Mail Processing  
Section

FEB 29 2012

SEC FILE NUMBER
8- <del>102007</del>

8-41727 KH 3/13

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

Washington, DC  
123

REPORT FOR THE PERIOD BEGINNING 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CFD Investments, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2704 S Goyer Road  
(No. and Street)

Kokomo IN 46902  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Brent Owens 765-453-9600  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Somerset CPAs  
(Name - if individual, state last, first, middle name)

3925 River Crossing Pkwy, 3rd floor Indianapolis IN 46240-0368  
(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)

KW  
1/13

OATH OR AFFIRMATION

I, Brent Owens, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CFD Investments, Inc., as of December 31, 2011, 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:

Brent Owens

Signature

President

Title

Chandra A. Collins
Chandra S. Collins, Notary Public, comm exp. 8-15-17

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).

**CFD INVESTMENTS, INC.**  
**Financial Statements**  
**Year Ended December 31, 2011**

**CFD INVESTMENTS, INC.**

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## Independent Auditors' Report

**To the Board of Directors  
CFD INVESTMENTS, INC.  
Kokomo, Indiana**

We have audited the accompanying statements of financial condition of CFD INVESTMENTS, INC., as of December 31, 2011, and the related statements of income, other comprehensive income, changes in shareholders' 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 aspects, the financial condition of CFD INVESTMENTS, INC., as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Somerset CPAs PC". The signature is written in a cursive, flowing style.

February 26, 2012

Architecture/Engineering  
Assurance  
Business Advisory  
Construction  
Dealerships

Employee Benefits  
Entrepreneurial  
Health Care  
Information Solutions  
Litigation, Valuation & Forensic

Manufacturing & Distribution  
Not-for-Profit  
Real Estate  
Small Business  
Tax



**CFD INVESTMENTS, INC.**  
**Statement of Financial Condition**  
**December 31, 2011**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 426,350
Deposits with clearing organizations	125,078
Commissions and fees receivable	437,359
Note receivable from shareholder	38,884
Prepaid expenses	139,008
Other current assets	<u>39,723</u>
 Total Current Assets	 <u>1,206,402</u>

**Other Assets**

Marketable securities	36,765
Cash surrender value of life insurance	16,382
Note receivable from shareholder	171,429
Investment in affiliate	<u>203,130</u>
 Total Other Assets	 <u>427,706</u>

Total Assets	<u><u>\$ 1,634,108</u></u>
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**Liabilities and Shareholders' Equity**

**Current Liabilities**

Accounts payable	\$ 368,839
Commissions payable	336,068
Deferred income taxes	<u>5,584</u>
 Total Current Liabilities	 <u>710,491</u>

**Shareholders' Equity**

Common stock	376,625
Additional paid-in capital	15,500
Retained earnings	512,491
Accumulated other comprehensive income	<u>19,001</u>
 Total Shareholders' Equity	 <u>923,617</u>

Total Liabilities and Shareholders' Equity	<u><u>\$ 1,634,108</u></u>
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See accompanying notes.

**CFD INVESTMENTS, INC.**  
**Statement of Income**  
**December 31, 2011**

Revenues	
Commissions and fees	\$ 14,707,500
Other income	919,472
Investment income	<u>4,820</u>
Total Revenues	<u>15,631,792</u>
Operating Expenses	
Commissions expense	12,035,186
Employee leasing/salaries	1,005,938
Technology fees	590,393
Clearing costs and fees	443,035
Advertising and promotion	337,401
Professional services	306,392
Rent	210,000
Office expenses	165,539
Computer lease and maintenance	137,458
Education, seminars and meetings	65,433
Travel and entertainment	59,901
Registrations, licenses and assessments	53,743
Other expenses	28,195
Repairs and maintenance	26,527
Interest expense	<u>8,757</u>
Total Operating Expenses	<u>15,473,898</u>
Income from Operations	157,894
Equity in Net Income of Affiliate	<u>22,196</u>
Net Income Before Tax	180,090
Income Tax Expense	<u>66,861</u>
<b>Net Income</b>	<u><u>\$ 113,229</u></u>

See accompanying notes.

**CFD INVESTMENTS, INC.**  
**Statement of Other Comprehensive Income**  
**For the Year Ended December 31, 2011**

Net Income	\$ 113,229
Other Comprehensive Gain	
Unrealized holding gain on marketable securities arising during the year, net of tax of \$282	<u>894</u>
Other Comprehensive Income	<u><u>\$ 114,123</u></u>

See accompanying notes.

**CFD INVESTMENTS, INC.**  
**Statement of Changes in Shareholders' Equity**  
**December 31, 2011**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Shareholders' Equity</u>
<b>Balance at December 31, 2010</b>	\$ 376,625	\$ 15,500	\$ 399,262	\$ 18,107	\$ 809,494
Unrealized gain in marketable securities, net of tax	0	0	0	894	894
Net Income	0	0	113,229	0	113,229
<b>Balance at December 31, 2011</b>	<u>\$ 376,625</u>	<u>\$ 15,500</u>	<u>\$ 512,491</u>	<u>\$ 19,001</u>	<u>\$ 923,617</u>

See accompanying notes.

**CFD INVESTMENTS, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2011**

<b>Cash Flows from Operating Activities</b>	
Net Income	\$ 113,229
Adjustments to reconcile net income to net cash provided by operating activities:	
Equity in net income of affiliate	(22,196)
Increase in commissions receivable	(30,050)
Increase in prepaid expenses	(27,983)
Increase in other assets	(41,087)
Increase in accounts payable	5,542
Increase in commissions payable	<u>27,089</u>
Net cash provided by operating activities	<u>24,544</u>
<b>Cash Flows from Investing Activities</b>	
Loan to shareholder	(220,313)
Payments on shareholder loan	<u>10,000</u>
Net cash used in investing activities	<u>(210,313)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(185,769)
Cash and Cash Equivalents, Beginning of Year	<u>612,119</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 426,350</u></u>

See accompanying notes.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note A - Nature of Operations and Summary of Significant Accounting Policies:**

**Nature of Operations**

CFD Investments, Inc. (the Company), was incorporated in 1986 in the state of Indiana. The Company is a registered broker-dealer with the Financial Industry Regulatory Authority (FINRA), (formerly known as the National Association of Securities Dealers (NASD)), the Securities and Exchange Commission (SEC) and various states within the United States.

The Company operates as an introducing broker on a fully disclosed basis, and forwards all transactions to its clearing brokers. Accordingly, the Company operates under the exemptive provision of the SEC Rule 15c3-3(k)(2)(ii).

**Revenue Recognition**

The Company recognizes revenue through commissions generated by effecting trades for its customers. Customers' securities transactions are recorded on a settlement date basis. Securities transactions of the Company are recorded on a trade date basis.

The Company recognizes revenue on its variable annuity and mutual funds products when the necessary policy documents have been completed by the customer as well as the premiums associated with the related products have been received by the carrier.

**Method of Accounting**

The Company's financial statements are presented on the accrual basis method of accounting.

**Commissions Receivable**

The Company carries commissions receivable at invoiced amounts less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its commissions receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. The Company considers commissions receivable to be fully collectible; accordingly, no allowance for doubtful accounts currently is provided. The Company's policy is not to accrue interest on past due receivables.

**Investment in Debt and Marketable Equity Securities**

The Company has an investment in a marketable equity security that is listed and traded on a national exchange.

The Company's investment in marketable equity securities have been classified as available-for-sale and are stated at fair value. Unrealized holding gains and losses are reported in other comprehensive income.

Dividends on marketable equity securities are recognized in income when declared. Realized gains and losses, including losses from declines in value of specific securities determined by management to be other-than-temporary, are included in income. Realized gains and losses are determined on the basis of average cost of securities sold.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note A - Nature of Operations and Summary of Significant Accounting Policies:**

**Long-lived Assets**

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Certain long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for the differences between the basis of assets and liabilities for financial statement and income tax purposes. Those differences relate primarily to investments (reported at market value for financial statement purposes and reported at cost for income tax purposes). The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for any operating loss carryforwards, charitable contribution carryforwards and tax credit carryforwards that are available to offset future income taxes.

Accounting principles generally accepted in the United States of America require the Company to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next twelve months or that would not sustain an examination by applicable taxing authorities.

The Company's policy is to recognize penalties and interest as incurred in its Statement of Income.

The Company's federal and state income tax returns for 2008 through 2011 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

**Cash Flows**

For purposes of the Statement of Cash Flows, the Company considers all highly liquid instruments purchased within three months or less of an instrument's original maturity date to be cash equivalents. Deposits with clearing organizations are restricted balances and not available for operating purposes.

**Use of Estimates**

The preparation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Fair Value Measurements**

ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company.

Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

The fair value hierarchy input levels are as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 - Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of December 31, 2011, the Company held certain financial assets that are required to be measured at fair value on a recurring basis. The following table presents information on these assets as well as the fair value hierarchy used to determine their fair value:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Total Fair Value at December 31, 2011
Marketable Equity Securities		
Financial services industry	\$ 36,765	\$ 36,765
Total Assets	<u>\$ 36,765</u>	<u>\$ 36,765</u>

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Recently Issued Accounting Pronouncements**

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards." The amendments in this ASU explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. The Company is currently evaluating the impact of this ASU.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." The objective of this ASU is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. Under this ASU, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. An entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. An entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. The amendments in this ASU should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The Company is currently evaluating the impact of this ASU.

**Note B - Investment in Marketable Equity Securities:**

The following is a summary of the Company's investment in available-for-sale securities at December 31, 2011:

<u>Investment</u>	<u>Aggregate Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Marketable equity securities	\$ 12,180	\$ 24,585	\$ 0	\$ 36,765

The net change in the unrealized holding gain on available-for-sale securities of \$1,176 at December 31, 2011, is included in the determination of other comprehensive income.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note C - Income Taxes:**

Income tax expense for the year ended December 31, 2011, is as follows:

Current:		
Federal	\$	53,094
State		<u>13,767</u>
Income tax expense	<u>\$</u>	<u>66,861</u>

The net deferred tax liability of \$5,584 results from the unrealized gains on marketable securities as reflected in accumulated other comprehensive income.

**Note D - Common Stock:**

The Company has two classes of capital stock. The Company has common stock that has equal rights, preferences, qualifications, limitations and restrictions. The Company also has preferred stock which is designated as 10% non-cumulative stock.

The following summarizes the Company's shares of common and preferred stock at December 31, 2011:

	<u>Common Stock</u>	<u>Preferred Stock</u>
Authorized	500	500
Issued	382	0
Outstanding	382	0

**Note E - Related Party Transactions:**

**Note Receivable from Shareholder**

The note receivable outstanding at December 31, 2011, is unsecured and due in quarterly installments of \$10,000, plus interest at the RBC prime money market fund rate plus 0.5% (0.57% at December 31, 2011), through February 2, 2017. Interest income relating to this note amounted to \$313 for the year ended December 31, 2011.

**Creative Financial Centre, LLC**

The Company leases its shared operating facility from a related party, a partnership in which the Company is also a member. The financial statements include an investment in affiliate of \$203,130 at December 31, 2011, that represents the Company's 20% investment in the partnership at December 31, 2011.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note E - Related Party Transactions (Continued):**

**Creative Financial Centre, LLC (Continued)**

Rent expense is \$17,500 per month in 2011. The financial statements include \$210,000 in rent expense for the year ended December 31, 2011. This represents approximately 34% of the leasing company's revenues in 2011. The Company expects to make payments to the related party of \$17,500 monthly through December 31, 2016. There is no lease agreement. Expected rental payments under this arrangement is summarized as follows:

<u>Year Ending December 31,</u>	
2012	\$ 210,000
2013	210,000
2014	210,000
2015	210,000
2016	<u>210,000</u>
	<u>\$ 1,050,000</u>

**Note F - Variable Interests in Variable Interest Entities:**

**CFD Leasing, Inc.**

At December 31, 2011, the Company holds a variable interest in a variable interest entity (VIE) for which the Company is not the primary beneficiary.

The VIE is engaged in leasing employee services and equipment and had revenues of approximately \$2,417,000 in 2011. The Company utilizes the personnel and equipment of the VIE and, accordingly, paid expenses to the VIE of \$1,005,938 and \$137,458, for employee leasing and equipment leasing costs, respectively, during the year ended December 31, 2011. This represents approximately 47% of the leasing company's revenues in 2011. Employee costs are allocated each pay period, based on an allocation of time spent by each employee.

In addition, \$8,757 of interest expense was incurred by the Company on behalf of obligations of the leasing company.

The Company's involvement with the VIE is by common ownership and management.

The Company does not have a leasing agreement with the VIE, nor does it have the power to direct the activities of the VIE, that most significantly impact its economic performance. Accordingly, the Company is not required to consolidate the VIE.

The Company's future maximum exposure to loss could increase if the Company voluntarily provided additional financial support to the VIE, but it is under no obligation to do so.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note G - Concentration of Credit Risk:**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and commissions receivable. The Company places its cash and cash equivalents with several financial institutions. At times, such amounts may be in excess of the FDIC insured limit. The Company has never experienced any losses related to these balances. All non-interest bearing cash balances were fully insured at December 31, 2011, due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning January 1, 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits.

The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its commissions receivable credit risk exposure is limited.

**Note H - Major Carrier:**

Commissions and fees derived from the sale of products with two companies was approximately thirty-three percent (33%) of total revenues for the year ended December 31, 2011.

**Note I - Net Capital Requirements:**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital balance. The minimum dollar amount for the Company is \$50,000. At December 31, 2011, the Company's net capital was \$249,786 which was \$199,786 in excess of its minimum net capital requirement.

**Note J - Statements of Changes in Liabilities Subordinated to Claims of General Creditors:**

For the year ended December 31, 2011, the Company did not have any subordinated liabilities subject to claims of general creditors. Therefore, no statements have been prepared.

**Note K - Pending Litigation:**

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. The Company is currently involved in two proceedings which management asserts are without merit. There is no estimate of potential liability, if any, that can be reasonably made at this time, and therefore no amounts have been recorded in the financial statements. One matter is covered within insurance limits, even in the unlikely event of an unfavorable outcome, no material effect on the Company is anticipated. The second matter is currently not covered by insurance, and while an unfavorable outcome could be material, management plans to vigorously defend this claim and does not anticipate any loss to be incurred.

**CFD INVESTMENTS, INC.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note L - Management Evaluation of Subsequent Events:**

The Company has evaluated subsequent events through February 26, 2012, the date on which the financial statements were available to be issued.



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**Independent Auditors' Report  
on the Supplementary Information Required by Rule 17a-5  
of the Securities and Exchange Commission**

**To the Board of Directors  
CFD INVESTMENTS, INC.  
Kokomo, Indiana**

Our report on our audit of the 2011 basic financial statements of CFD INVESTMENTS, INC., appears on page 1. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information 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 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.

*Somerset CPAs PC*

February 26, 2012

Architecture/Engineering  
Assurance  
Business Advisory  
Construction  
Dealerships

Employee Benefits  
Entrepreneurial  
Health Care  
Information Solutions  
Litigation, Valuation & Forensic

Manufacturing & Distribution  
Not-for-Profit  
Real Estate  
Small Business  
Tax



**CFD INVESTMENTS, INC.**  
**Computation of Net Capital Under Rule 15c3-1 of**  
**the Securities and Exchange Commission**  
**As of December 31, 2011**

**Net Capital**

Total Shareholders' Equity	<u>\$ 923,617</u>
Deductions and/or Charges	
Receivables from non-customers	4,270
Investment in affiliate	203,130
Other assets	<u>446,263</u>
Total Deductions and/or Charges	<u>653,663</u>
Net Capital Before Haircuts on Securities Positions	269,954
Haircuts on Other Securities	<u>20,168</u>
Net Capital	<u><u>\$ 249,786</u></u>

**Aggregate Indebtedness**

Items Included in Statement of Financial Condition	
Accounts payable and commissions payable	\$ 704,907
Other liabilities	<u>5,584</u>
Total Aggregate Indebtedness	<u><u>\$ 710,491</u></u>

**Computation of Basic Net Capital Requirement**

Minimum Net Capital Required	<u><u>\$ 50,000</u></u>
Excess Net Capital	<u><u>\$ 199,786</u></u>
Excess Net Capital at 1000%	<u><u>\$ 178,737</u></u>
Ratio: Aggregate Indebtedness to Net Capital	<u><u>2.84 to 1</u></u>

**Reconciliation with Company's Computation (Included in Part II of Form X-17A-5 as of December 31, 2011)**

Net Capital, as Reported in Company's Part II (Unaudited) FOCUS Report	\$ 249,991
Effect of audit adjustments on accounts included in net capital	<u>(205)</u>
Net Capital per Above	<u><u>\$ 249,786</u></u>

See auditors' report on supplementary information.



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**Independent Auditors' Report on Internal Control  
Required by SEC Rule 17-a-5(g)(1) for a Broker-Dealer  
Claiming an Exemption from SEC Rule 15c3-3**

**To the Board of Directors  
CFD INVESTMENTS, INC.  
Kokomo, Indiana**

In planning and performing our audit of the financial statements of CFD INVESTMENTS, INC., (the Company) as of and for the year ended December 31, 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 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 an internal control structure 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 previously 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 U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Architecture/Engineering  
Assurance  
Business Advisory  
Construction  
Dealerships

Employee Benefits  
Entrepreneurial  
Health Care  
Information Solutions  
Litigation, Valuation & Forensic

Manufacturing & Distribution  
Not-for-Profit  
Real Estate  
Small Business  
Tax



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.

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 and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

A material weakness is a deficiency, or combination of significant 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 or 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 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 previously.

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 purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink that reads "Somers CPA PC". The signature is written in a cursive, flowing style.

February 26, 2012