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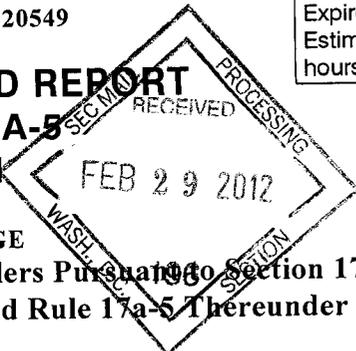


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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Expires: April 30, 2013  
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hours per response..... 12.00

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



SEC FILE NUMBER  
8-67890

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3/16

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 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: MCCAFFERTY & COMPANY, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1999 AVENUE OF THE STARS, SUITE 2050

OFFICIAL USE ONLY  
FIRM I.D. NO.

LOS ANGELES CA 90067  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
COLIN MCCAFFERTY 310-551-4040  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

HKG, LLP  
(Name - if individual, state last, first, middle name)  
50 E. FOOTHILL BLVD., THIRD FLOOR ARCADIA CA 91006  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**FOR OFFICIAL USE ONLY**

\*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)

3/14/12  
JD

OATH OR AFFIRMATION

I, COLIN MCCAFFERTY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MCCAFFERTY & COMPANY, LLC, as of DECEMBER 31, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Signature  
[Title]  
Title

[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.

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

OATH OR AFFIRMATION

I, COLIN MCCAFFERTY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MCCAFFERTY & COMPANY, LLC, as of DECEMBER 31, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

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- (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).

**MCCAFFERTY & COMPANY, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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**CERTIFIED PUBLIC ACCOUNTANTS**

**MCCAFFERTY & COMPANY, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

## TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Loss	3
Statement of Changes in Member's Capital and Comprehensive Loss	4
Statement of Cash Flows	5 – 6
Notes to Financial Statements	7 – 12
Supplementary Information:	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	13
Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	14
Information Relating to Possession or Control Requirements Under Rule 15c3-3	15



Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Member  
McCafferty & Company, LLC  
Los Angeles, California

We have audited the accompanying statement of financial condition of McCafferty & Company, LLC (the Company) as of December 31, 2011, and the related statements of loss, changes in member's capital and comprehensive loss and cash flows for the year then ended. 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 McCafferty & Company, LLC 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 13-15 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.

  
\_\_\_\_\_  
HKG, LLP  
Certified Public Accountants

Arcadia, California  
February 24, 2012

**MCCAFFERTY & COMPANY, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2011**

**ASSETS**

Cash	\$	44,386	
Marketable securities, available for sale		636,497	
Property and equipment, net of accumulated depreciation of \$43,954		73,610	
Other assets		<u>15,315</u>	
Total assets			<u><u>\$ 769,808</u></u>

**LIABILITIES AND MEMBER'S CAPITAL**

Liabilities:			
Accounts payable	\$	4,131	
Accrued expenses		<u>27,560</u>	
Total liabilities			<u>31,691</u>
Member's capital			
Member's equity		742,178	
Accumulated other comprehensive loss		<u>(4,061)</u>	
Total Member's capital			<u>738,117</u>
Total liabilities and member's capital			<u><u>\$ 769,808</u></u>

The accompanying notes are an integral part of this statement

**MCCAFFERTY & COMPANY, LLC**  
**STATEMENT OF LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Revenues:		
Consulting income	\$ 207,274	
		\$ 207,274
Expenses:		
Automobile	27,745	
Charitable contributions	6,650	
Computer	15,970	
Continuing education	9,461	
Depreciation	25,034	
Dues and subscriptions	715	
Gifts	2,514	
Insurance	33,785	
Legal and professional	206,774	
Licensing fees	25,985	
Meals	36,895	
Miscellaneous	7,652	
Office	43,351	
Outside services	40,074	
Rent	111,063	
Repairs and maintainance	4,000	
Salaries and wages	186,605	
Telephone	11,981	
Travel	50,224	
		<u>846,478</u>
Loss from operations		(639,204)
Other income		
Investment income	27,475	
Gain on sale of marketable securities	6,049	
		<u>33,524</u>
Net loss		(605,680)
Other comprehensive income		
Unrealized gain on marketable securities		<u>6,973</u>
Comprehensive loss		<u>\$ (598,707)</u>

The accompanying notes are an integral part of this statement

**MCCAFFERTY & COMPANY, LLC**  
**STATEMENT OF CHANGES IN MEMBER'S CAPITAL**  
**AND COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Member's Equity</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Member's Capital</u>
Balance - January 1, 2011	\$ 1,737,265	\$ (11,034)	\$ 1,726,231
Distributions	(389,407)	-	(389,407)
Net loss	(605,680)	-	(605,680)
Unrealized gain on marketable securities	-	6,973	6,973
Balance - December 31, 2011	<u>\$ 742,178</u>	<u>\$ (4,061)</u>	<u>\$ 738,117</u>

The accompanying notes are an integral part of this statement

**MCCAFFERTY & COMPANY, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash flows provided by operating activities:		
Net loss		\$ (605,680)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	\$ 25,034	
Gain on sale of marketable securities	(6,049)	
Changes in assets and liabilities:		
Decrease in assets:		
Prepays	14,022	
Other assets	42,679	
Increase (decrease) in liabilities:		
Accounts payable	3,037	
Accrued expenses	14,075	
State LLC fee payable	<u>(6,000)</u>	
Total adjustments		<u>86,798</u>
Net cash used in operating activities		<u>(518,882)</u>
Cash flows provided by (used in) investing activities:		
Purchase of marketable securities	(923,731)	
Proceeds from sale of marketable securities	1,575,825	
Acquisition of furniture	<u>(42,118)</u>	
Net cash provided by investing activities		<u>609,976</u>
Cash flows used in financing activities:		
Distributions to member		<u>(162,557)</u>
Net decrease in cash		(71,463)
Cash - beginning of year		<u>115,849</u>
Cash - end of year		<u>\$ 44,386</u>
Supplemental information:		
Cash paid for:		
Interest		<u>\$ -</u>
Income taxes		<u>\$ 8,824</u>

The accompanying notes are an integral part of this statement

**MCCAFFERTY & COMPANY, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(continued)**

Supplemental disclosure of non-cash financing activities:

For the year ended December 31, 2011, advances to member and a related party in total of \$226,850 were reclassified to distributions to member.

The accompanying notes are an integral part of this statement

**MCCAFFERTY & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

1. BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

McCafferty & Company, LLC (the Company) is a California limited liability company. Its member has limited personal liability for the obligations or debts of the Company. Only one class of member's interest exists. As a broker-dealer registered with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA), the Company provides advisory and consulting services primarily in the media, entertainment, and telecommunications industry.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting, recognizing income when earned and expenses when incurred.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a maturity, at purchase, of three months or less to be cash equivalents.

Uninsured Cash Balances

The Company maintains its cash and cash equivalents at large financial institutions. Bank cash balances may periodically exceed FDIC insurance coverage. Company's management believes the risk is not significant.

Fair Value of Financial Instruments

The Company has financial instruments whereby the fair market value of the financial instruments could be different than that recorded on a historical basis on the accompanying balance sheet. The Company's financial instruments consist of cash, marketable securities available for sale, accounts receivable, accounts payable, and accrued expenses. The carrying amounts of the Company's financial instruments generally approximate their fair values at December 31, 2011.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

**MCCAFFERTY & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
**(continued)**

1. BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Marketable Securities

The Company classifies its marketable securities according to their purpose and holding period. As of December 31, 2011, there were no trading account securities or held-to-maturity securities in the investment portfolio. Securities available for sale are reported at estimated fair value.

The fair values of the marketable securities are generally determined by reference to the quoted market prices obtained from independent external brokers or independent external pricing service providers who have experience in valuing these securities.

Securities transactions are recognized on the trade date (the date the order to buy or sell is executed). The carrying value plus any related other comprehensive income balance of sold securities is used to compute realized gains and losses. Interest and dividends on securities are included in interest income. Amortization of premiums and accretion of discounts on securities are recorded as yield adjustments on such securities using the effective interest method. The specific identification method is used for purposes of determining cost in computing realized gains and losses on investment securities sold.

Property and Equipment

Property and equipment are valued at cost, net of accumulated depreciation. Depreciation is computed using straight-line methods for financial reporting purposes over the estimated useful lives, as follows:

Furniture and fixtures	5 – 7 years
Automobile	5 – 7 years
Machinery and equipment	5 – 7 years

Depreciation expense for the year ended December 31, 2011 totaled \$25,034.

Income Taxes

The Company is treated as a sole proprietorship for tax purposes and therefore incurs no federal tax liability. Accordingly, the Company's member is liable for individual federal and California state income taxes on the Company's taxable earnings. The Company incurs only a minimum state franchise tax fee and an annual California LLC fee based on the Company's gross receipts.

**MCCAFFERTY & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
**(continued)**

1. BUSINESS ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Income Taxes (continued)

The Company believes that it has appropriate support for the positions taken on its tax returns and that the limited liability company status would be sustained on examination.

The Company classifies interest and penalties on underpayments of income tax as interest expense and penalties, respectively, both of which was included in general and administrative expenses.

The Company files tax returns in the California state jurisdiction. The Company is no longer subject to tax examinations for California before 2007.

Subsequent Events

Subsequent events have been evaluated through February 24, 2012, which is the date the financial statements were available to be issued.

2. MARKETABLE SECURITIES AND FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 - Inputs to the valuation methodology are observable other than level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs to the valuation measurement are unobservable, supported by the little or no market data, and are significant to the fair value of the assets and liabilities.

**MCCAFFERTY & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
**(continued)**

2. MARKETABLE SECURITIES AND FAIR VALUE MEASUREMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Agency at the end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a summary of the marketable securities at December 31, 2011:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Mutual funds	\$ 640,558	-	(4,061)	\$ 636,497

The following table presents the balance of assets measured at fair value on a recurring basis as of December 31, 2011:

	2011			
	Level I	Level II	Level III	Total
Mutual funds	\$ -	636,497	-	\$ 636,497

At December 31, 2011 the Company had no assets measured at fair value on a nonrecurring basis and no liabilities measured at fair value on a recurring or nonrecurring basis.

**MCCAFFERTY & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
**(continued)**

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Furniture and fixtures	\$	42,847
Automobile		43,266
Computer equipment		31,451
		117,564
Less accumulated depreciation		(43,954)
	\$	73,610

4. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the “applicable” exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.) At December 31, 2011, the Company had net capital of \$622,142, which was \$522,142 in excess of its required net capital of \$100,000. The Company’s net capital ratio was 0.0509 to 1.

The Company is exempt from the provisions of Regulation 15c3-3(k)(2)(i) because the Company did not carry margin accounts, and did not otherwise hold funds or securities for, or owe money or securities to, customers.

5. COMMITMENTS

In 2011, the Company agreed to lease its operating facility under an operating lease expiring in April 14, 2013. The lease requires the Company to pay fixed monthly rents with additional variable expenses. The future minimum lease payments are as follows:

Year ending December 31,

2012	\$	171,990
2013		43,328
Total	\$	215,318

**MCCAFFERTY & COMPANY, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
**(continued)**

5. COMMITMENTS (continued)

Rent expense for the year ended December 31, 2011 was \$111,063.

6. DEFERRED RENTS

The office lease is accounted for as an operating lease and expenses are recognized when incurred. Minimum annual rentals are recognized on a straight-line basis over the lease term regardless of when payments are due. Deferred rents payable represents the amount that rents currently due exceeds expected straight-line rental expense under the lease agreement. For the year ended December 31, 2011, deferred rents payable was \$18,971 and is included in accrued expenses on the Statement of Financial Condition.

## **SUPPLEMENTARY INFORMATION**

**MCCAFFERTY & COMPANY, LLC**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2011**

**SCHEDULE I**

Net capital	
Total member's capital	\$ 738,117
Deductions:	
Nonallowable assets:	
Property and equipment, net	(73,610)
Other assets	<u>(15,315)</u>
Tentative net capital	<u>649,192</u>
Haircuts on liquid asset funds	
Trading and investment securities	(21,323)
Undue concentration	<u>(5,727)</u>
Total haircuts on liquid asset funds	<u>(27,050)</u>
Net capital	<u><u>\$ 622,142</u></u>
Aggregate indebtedness	
Items included in statement of financial condition:	
Accounts payable	\$ 4,131
Accrued expenses	27,560
Total aggregate indebtedness	<u><u>\$ 31,691</u></u>
Computation of Basic Net Capital Requirement	
Minimum net capital	<u>\$ 100,000</u>
Excess net capital	<u><u>\$ 522,142</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0.0509 to 1</u></u>
Reconciliation with Company's Computation (included in Part IIA of Form X-17A-5)	
Net capital, as reported in Company's Part II (unaudited) FOCUS report	<u><u>\$ 622,142</u></u>
Net capital per above	<u><u>\$ 622,142</u></u>

See the Independent Auditors' Report

**MCCAFFERTY & COMPANY, LLC**  
**DETERMINATION OF RESERVE REQUIREMENTS UNDER**  
**RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2011**

**SCHEDULE II**

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3(k)(2)(i).

See the Independent Auditors' Report

**MCCAFFERTY & COMPANY, LLC  
INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3  
DECEMBER 31, 2011**

**SCHEDULE III**

The Company is exempt from the Rule 15c3-3 as it relates to possession and Control requirements under the (k)(2)(i) exemptive provision.

See the Independent Auditors' Report



**Certified Public Accountants**

Garrett P. Kreditor, CPA  
1965-2007

David R. Hinton, CPA  
Eric A. Gronroos, CPA, MBT  
Fred T. Arjani, CPA  
Jorge R. Fernandez, CPA  
Dennis J. Burbridge, CPA  
John J. Gosch, CPA  
AnnMarie Flaherty, CPA  
Jeffrey R. Chase, CPA  
Curtis R. Natham, CPA

February 24, 2012

Member  
McCafferty & Company, LLC  
Los Angeles, California

In planning and performing our audit of the financial statements of McCafferty & Company, LLC (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 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 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 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 a 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 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.

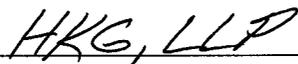
Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for 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 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 December 31, 2011, to meet the SEC's objectives.

McCafferty & Company, LLC  
Internal Control Letter  
February 24, 2012  
Page 3

This report is intended solely for the information and use of the member, management, the SEC, 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.

Arcadia, California  
February 24, 2012

  
\_\_\_\_\_  
HKG, LLP  
Certified Public Accountants



**Certified Public Accountants**

David R. Hinton, CPA  
Eric A. Gronroos, CPA, MBT  
Fred T. Arjani, CPA  
Jorge R. Fernandez, CPA  
Dennis J. Burbridge, CPA  
John J. Gosch, CPA  
AnnMarie Flaherty, CPA  
Jeffrey R. Chase, CPA  
Curtis R. Natham, CPA

Garrett P. Kreditor, CPA  
1965-2007

Member  
McCafferty & Company, LLC  
Los Angeles, California

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by McCafferty & Company, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating McCafferty & Company, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). McCafferty & Company, LLC's management is responsible for the McCafferty & Company, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and

5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

HKG, LLP  
HKG, LLP  
Certified Public Accountants

Arcadia, California  
February 24, 2012

For the fiscal year ended December 31, 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:

067890 FINRA DEC  
McCafferty & Company LLC 20\*20  
1999 AVENUE OF THE STARS STE 2050  
LOS ANGELES CA 90067-6038

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.

BRIAN ZUCKER (908) 231-1000

WORKING COPY

2. A. General Assessment (item 2e from page 2)		\$ 518
B. Less payment made with SIPC-6 filed (exclude interest)		( 479 )
<u>08/01/2011</u>	Date Paid	
C. Less prior overpayment applied		( - )
D. Assessment balance due or (overpayment)		39
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum		-
F. Total assessment balance and interest due (or overpayment carried forward)		\$ 39
G. PAID WITH THIS FORM:		
Check enclosed, payable to SIPC		
Total (must be same as F above)	\$ 39	
H. Overpayment carried forward	\$( _____ )	

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

\_\_\_\_\_  
\_\_\_\_\_

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.

McCafferty & Company LLC  
(Name of Corporation, Partnership or other organization)  
*Brian Zucker*  
(Authorized Signature)  
FINOP  
(Title)

Dated the 20 day of February, 20 2012.

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 \_\_\_\_\_, 20\_\_  
and ending \_\_\_\_\_, 20\_\_  
Eliminate cents

\$ 247,772

Item No.

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

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):

40,497

(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

40,497

\$ 207,275

2d. SIPC Net Operating Revenues

\$ 518

2e. General Assessment @ .0025

(to page 1, line 2.A.)