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SECURITIES AND EXCHANGE COMMISSION  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8- 40822

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: Coastal Equities, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
602 Main Street, Suite 801

Cincinnati OH 45202  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Michael A. Mueller 513-619-1100  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Clark, Schaefer, Hackett & Co.

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

One East Fourth Street, Suite 1200 Cincinnati, Ohio 45202  
(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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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OATH OR AFFIRMATION

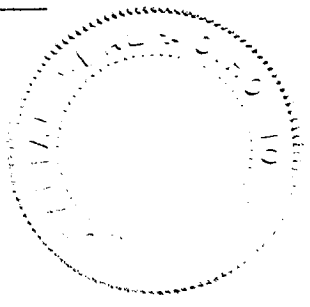
I, Michael A. Mueller, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Coastal Equities, Inc. of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

Michael A. Mueller  
Signature

CEO  
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).

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
Coastal Equities, Inc.

We have audited the accompanying statement of financial condition of Coastal Equities, Inc. as of December 31, 2011, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Equities, Inc. as of December 31, 2011, and the results of its operations and 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 as a whole. The supplementary information contained on pages 9 through 15 required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio

February 23, 2012

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cincinnati, oh 45202

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f. 513.241.1212

Coastal Equities, Inc.  
Statement of Financial Condition  
December 31, 2011

Assets:

Cash and cash equivalents	\$	83,178
Accounts receivable:		
Commissions		128,162
Rep. reimbursements		30,098
Prepaid expenses		10,963
Investments		18,270
Deposit with correspondent broker		<u>25,600</u>
	\$	<u>296,271</u>

Liabilities and Stockholders' Equity:

Commissions payable	\$	144,758
Accounts payable		<u>12,928</u>
Total liabilities		<u>157,686</u>
Stockholders' equity:		
Common stock, \$.01 par value -		
Authorized 200,000 shares,		
Issued and outstanding 10,000 shares		100
Capital in excess of par value		29,441
Retained earnings		<u>109,044</u>
		<u>138,585</u>
	\$	<u>296,271</u>

Coastal Equities, Inc.  
Statement of Operations  
Year Ended December 31, 2011

Revenues:	
Commissions	\$ 1,821,985
Rep. reimbursements	212,473
Earnings from investments	1,239
Other	<u>53,924</u>
	2,089,621
Expenses:	
Leased employee expense	166,514
Commissions	1,311,606
Clearing charges	170,507
Registration and regulatory fees	60,873
Office supplies and expense	15,876
Telephone	21,871
Rent	30,538
Travel and entertainment	6,064
Advertising	2,593
Software maintenance	1,981
Legal, accounting and consulting	136,953
Insurance	67,337
Taxes	2,913
Conferences	37,133
Bad debt	7,395
Other	<u>18,277</u>
	<u>2,058,431</u>
Net income	\$ <u>31,190</u>

See accompanying notes to financial statements.

Coastal Equities, Inc.  
Statement of Stockholders' Equity  
Year Ended December 31, 2011

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, beginning of year	\$ 100	29,441	80,096	109,637
Net income	-	-	31,190	31,190
Dividends paid	<u>-</u>	<u>-</u>	<u>(2,242)</u>	<u>(2,242)</u>
Balance, end of year	\$ <u>100</u>	<u>29,441</u>	<u>109,044</u>	<u>138,585</u>

See accompanying notes to financial statements.

Coastal Equities, Inc.  
Statement Of Cash Flows  
Year Ended December 31, 2011

Cash flows from operating activities:	
Net income	\$ 31,190
Adjustments to reconcile net income to cash provided by operating activities:	
Bad debt expense	7,395
Unrealized loss on investments	29
Changes in operating assets and liabilities:	
Accounts receivable	(48,348)
Prepaid expenses	(3,719)
Accounts payable	33,017
Accrued expenses	<u>(1,954)</u>
	17,610
Cash flows used in financing activities:	
Dividends paid	<u>(2,242)</u>
Change in cash and cash equivalents	15,368
Cash and cash equivalents, beginning of year	<u>67,810</u>
Cash and cash equivalents, end of year	\$ <u>83,178</u>

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following accounting principles and practices of Coastal Equities, Inc. (the "Company") are set forth to facilitate the understanding of data presented in the financial statements:

### **Description of business operations**

Coastal Equities, Inc. is an Ohio Subchapter S corporation operating as a securities broker and dealer registered with the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC").

The Company has independent brokers who operate offices in Delaware, Maryland, Massachusetts, North Carolina, New Hampshire, Pennsylvania, New York, New Jersey, Michigan, Florida and Ohio. Its primary source of revenue is commissions for providing brokerage services to small businesses and individuals. Each broker receives a share of the commissions earned and is responsible for his or her own expenses.

### **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### **Revenue recognition**

The Company records revenues and expenses (commissions and brokerage expenses) directly related to security transactions on a settlement date basis, which approximates trade date basis.

### **Cash and cash equivalents**

The Company considers all bank accounts and all highly liquid debt instruments purchased with original maturities of less than three months to be cash equivalents.

### **Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. If balances were still outstanding after management had used reasonable collection efforts, they would be written off through a charge to the allowance and a credit to accounts receivable. No allowance was deemed necessary by management at December 31, 2011.

### **Investments**

Investments consist of common stocks and a mutual fund and are valued at fair value. Unrealized gains and losses are included in net income. The first-in, first-out method is used to determine realized gains and losses.

### **Income taxes**

The Company, with the consent of its stockholders, has elected to be taxed as an "S" corporation. The stockholders are personally liable for the Company's taxable income. Therefore, no provision or liability for federal and state income taxes is reflected in these financial statements.



### **Uncertain tax positions**

The Company adopted the provisions *Accounting for Uncertainty in Income Taxes*. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Company's income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2008–2010. The Company's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

### **Subsequent events**

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through February 23, 2012, the date these financial statements were available to be issued.

## **2. DEPOSIT WITH CORRESPONDENT BROKER:**

Because the Company does not handle customer securities or trades directly, it has entered into a relationship with a clearing, or correspondent, broker. As part of the terms of its contract with this broker, it maintains with them a \$25,000 deposit, held in a money-market fund. Interest earned on this account inures to the benefit of the Company.

## **3. FAIR VALUE MEASUREMENTS:**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments including cash, accounts receivable, deposits with corresponding broker and all payables approximated fair value as of December 31, 2011, because of the relatively short maturity of these instruments.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011.

Fair Value Measurements at Reporting Date Using

	Quoted prices in active markets for identical assets (Level 1)	Total at 12/31/11
Mutual funds	\$ 18,176	\$ 18,176
Common stocks	<u>94</u>	<u>94</u>
	<u>\$ 18,270</u>	<u>\$ 18,270</u>

**4. LEASE COMMITMENT:**

The Company leases its office facility with monthly payments of \$2,725 through June 2014. The agreement calls for increases in the base rent each July 1<sup>st</sup> based on the consumer price index. The Company sub-leases a portion of its space to four related broker representatives for \$1,800 per month under an informal month to month arrangement. Rent expense is \$30,538 in the accompanying statement of operations. Sub-lease income of \$21,000 is recorded as rep. reimbursements in the accompanying statement of operations.

**5. NET CAPITAL REQUIREMENTS AND EXEMPT PROVISIONS UNDER RULE 15C3-3:**

Pursuant to the net capital provision of rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. As of December 31, 2011, the Company's net capital requirement was \$10,513, and its defined net capital and aggregate indebtedness to net capital ratio was \$74,379 and 2.12 to 1, respectively. In compliance with the SEC Rule 17a5-(d)(4), there were no differences between the net capital computation as audited and the fourth quarter FOCUS IIA.

The Company has complied with the exemptive requirements of SEC Rule 15c3-3(k)(2)(ii) and did not maintain possession or control of any customer funds or securities as of December 31, 2011.

**SUPPLEMENTARY INFORMATION**

Coastal Equities, Inc.  
 Computation of Net Capital Pursuant to Rule 15c3-1  
 of the Securities and Exchange Commission  
 December 31, 2011

Net capital

Total stockholders' equity				\$ 138,585
Deduct:				
Non-allowable assets-				
Worthless securities account	\$	881		
Petty cash		100		
Prepaid expenses		10,963		
Rep. reimbursements		30,098		
Trails receivable		19,403		
Haircut on securities		<u>2,761</u>		
			<u>64,206</u>	
Net Capital				\$ <u>74,379</u>
Aggregate indebtedness:				
Accounts and commissions payable				\$ <u>157,686</u>
Ratio of aggregate indebtedness to net capital				<u>212.00%</u>
Minimum net capital required to be maintained (greater of \$5,000 or 6-2/3% of aggregate indebtedness)				\$ <u>10,513</u>
Excess net capital				\$ <u>63,866</u>
Excess net capital at 100% (net capital less 10% aggregate indebtedness)				\$ <u>58,610</u>

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC 17A-5**

To the Board of Directors and Stockholders  
Coastal Equities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Coastal Equities, Inc., 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 periodic computations of aggregate indebtedness and net capital under Rule 17a-3(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 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 an internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which management 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control structure and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risks that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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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 over financial reporting 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 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. However, we identified the following deficiency in internal control that we considered to be a material weakness, as defined above. This condition is considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of Coastal Equities, Inc. as of and for the year ended December 31, 2011, and this report does not affect our report thereon dated February 23, 2012. There is not adequate segregation of duties in the accounting function as the bookkeeper has the ability to prepare checks, sign checks, mail checks, reconcile the checking account and maintain the general ledger. Management does oversee these functions on a regular basis. This lack of segregation of duties is common in a company this size.

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.

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
February 23, 2012



**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON  
PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors and Shareholders  
Coastal Equities, Inc.

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 Coastal Equities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Coastal Equities, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Coastal Equities, Inc.'s management is responsible for the Coastal Equities, Inc.'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. The following exceptions were found in performing this procedure. Total revenue on the SIPC-7 (\$1,877,147) was \$212,474 less than total revenue reported on the audited financials (\$2,089,621). Also, there were no reimbursed office expenses reported on the SIPC-7, however, \$212,473 in reimbursed office expenses was reported on the audited financial statements. These two differences offset one another which would have no impact on the general assessment.
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

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5. There was no overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed. Therefore, this procedure was not applicable.

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.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
February 23, 2012



**SUPPLEMENTARY INFORMATION**

**SIPC-7**

(33-REV 7/10)

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

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended 12-31, 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:

8-40822 FINRA DEC  
Coastal Equities, Inc.  
602 Main Street  
Suite 801  
Cincinnati, OH 45202

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.

Karen Gordon  
603-502-4560

- A. General Assessment (item 2e from page 2) \$ 2006
- B. Less payment made with SIPC-6 filed (exclude interest) ( 968 )  
7-26-2011  
Date Paid
- C. Less prior overpayment applied (        )
- D. Assessment balance due or (overpayment) 1,038
- 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) \$ 1,038
- G. PAID WITH THIS FORM:  
Check enclosed, payable to SIPC  
Total (must be same as F above) \$ 1,038
- 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.

Coastal Equities Inc.  
(Name of Corporation, Partnership or other organization)

X  
(Authorized Signature)

Dated the        day of       , 20      .

X  
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates:        Postmarked        Received        Reviewed       

Calculations        Documentation        Forward Copy       

Exceptions:       

Disposition of exceptions:       

**WORKING COPY**

## DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning 1-1, 2011  
and ending 12-31, 2011  
Eliminate cents

**Item No.**

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

\$ 1,877,147

**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

41  
1,877,188

**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 15(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

1,070,802  
3,538  
Interest      522

(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 3860).

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

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

Total deductions

1,074,862  
802,326  
2,006

2d. SIPC Net Operating Revenues

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

2e. General Assessment @ .0025

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

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**At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training and experience are well-suited for each client's purpose and goals. We are committed to providing insightful and customized service — from efficient compliance to sophisticated consulting — to help each client prosper today and plan for future success.**

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