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

SEC FILE NUMBER
B- 65595

DEC 13 2012

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 10/01/11 AND ENDING 09/30/12  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SUN'S BROTHERS SECURITIES, INC.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

363 DALENE WAY

(No. and Street)

HONOLULU

(City)

HI

(State)

96821

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
MIN WON YANG (808) 538-0590  
(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

LATHAM, DAVID E.

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

735 BISHOP STREET, SUITE 432, HONOLULU

(Address)

(City)

HI

(State)

96813

(Zip Code)

CHECK ONE:

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

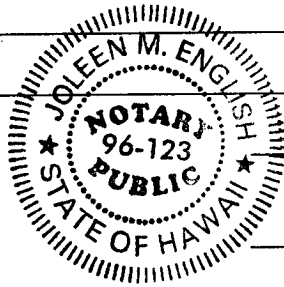
FOR OFFICIAL USE ONLY

\*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)

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OATH OR AFFIRMATION

I, MIN WON YANG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SUN'S BROTHERS SECURITIES, INC., as of SEPTEMBER 30, 20 12, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Signature]  
Signature  
PRESIDENT  
Title

[Signature]

Notary Public Joleen M. English

State of Hawaii, My Commission Expires: Oct. 10, 2016

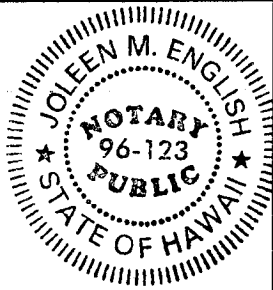
This report \*\* contains (check all applicable boxes):

- (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).

Doc. Date: Nov. 28, 2012 # Pages: 15  
 Notary Name: Joleen M. English First Circuit  
 Doc. Description: Annual Audited Report  
SEC Form X-17A-5 Part III

[Signature] 12/11/12  
 Notary Signature Date  
 NOTARY CERTIFICATION



**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C.**

**ANNUAL AUDIT REPORT**

**DATE: September 30, 2012**

**Sun's Brothers Securities, Inc.**  
**(Name of Respondent)**

**363 Dalene Way, Honolulu, HI 96821**  
**(Address of principal executive office)**

**Min Won Yang**  
**President**

**Sun's Brothers Securities, Inc.**  
**363 Dalene Way**  
**Honolulu, Hawaii 96821**

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**(Name and address of person authorized to receive notices and communications from the Securities and Exchange Commission)**

**SUN'S BROTHERS SECURITIES, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**AND OTHER FINANCIAL INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2012**

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DAVID E. LATHAM  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

To the Stockholder of  
Sun's Brothers Securities, Inc.  
Honolulu, Hawaii

**Report on the Financial Statements**

I have audited the accompanying Statement of Financial Condition of Sun's Brothers Securities, Inc. (the company) as of September 30, 2012, and the related Statements of income, changes in stockholder's equity, changes in, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design 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. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun's Brothers Securities, Inc. as of September 30, 2012, and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained on pages 9 thru 12 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. 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 on pages 9 thru 12 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 on pages 9 thru 12 fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "David E. Latham". The signature is written in black ink and is positioned above the printed name.

DAVID E. LATHAM, C.P.A.  
Honolulu, Hawaii

November 28, 2012

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF FINANCIAL CONDITION  
SEPTEMBER 30, 2012**

**ASSETS**

Current Assets - cash in bank	\$	1,521
Property and equipment: Net of accumulated depreciation of \$9,230		
Other Asset - cash on deposit with Broker-Dealer		27,782
Hawaii GE tax refund		233
Total Assets	\$	<u>29,536</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current Liabilities		
Accounts payable	\$	2,780
Commissions payable		2,089
Rent payable		5,750
Total Current Assets		<u>10,619</u>
Stockholder's equity:		
Common stock, \$1.00 par value; 1,000 Shares outstanding		1,000
Additional paid-in capital		89,060
Retained earnings (loss)		<u>(71,143)</u>
Total Stockholder's Equity		<u>18,917</u>
Total Liabilities and Stockholder's Equity	\$	<u>29,536</u>

See Notes to Financial Statements

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Revenue:	
Commissions	\$ <u>29,487</u>
	\$ <u>29,487</u>
Expenses:	
Depreciation	1,091
Interest expense	658
Commissions paid to clearing broker	25,194
Commissions paid to other brokers	8,948
Rent	9,000
Other operating expenses	<u>30,698</u>
	<u>75,589</u>
Net income before provisions for Income Tax	(46,102)
Income Tax	<u>-0-</u>
Net Income	\$ <u><u>(46,102)</u></u>

See Notes to Financial Statements



**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Capital Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stock- holders' Equity</u>
Balance at September 30, 2011	\$ 1,000	\$ 67,810	\$ (25,041)	\$ 43,769
Additional Capital Contributions		21,250		21,250
Net Loss for period			(46,102)	\$ (46,102)
Balance at September 30, 2012	\$ <u>1,000</u>	\$ <u>89,060</u>	\$ <u>(71,143)</u>	\$ <u>18,917</u>

See Notes To Financial Statements

**SUN'S BROTHERS SECURITIES, INC.**

**STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF CREDITORS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Activity during period	\$ <u>- 0 -</u>
Balance, September 30, 2012	\$ <u>- 0 -</u>

See Notes To Financial Statements

**SUNS'S BROTHERS SECURITIES, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Cash flows from operating activities:	
Net income	\$ (46,102)
Adjustments to reconcile net loss to net cash provided by operations:	
Depreciation during period	1,091
Increase in tax refund	(233)
Increase in accounts payable	2,730
Increase in rent payable	5,750
Decrease in taxes payable	(261)
Net cash (used) by operating activities	<u>\$ (37,025)</u>
Cash flows from investing activities:	
Transfer from money market held by clearing broker	<u>16,971</u>
Net cash flows from investing activities	<u>\$ 16,971</u>
Cash flows provided by financing activities:	
Additions to paid in capital	<u>21,250</u>
Net cash provided by financing activities	<u>\$ 21,250</u>
Cash at September 30, 2011	<u>\$ 325</u>
Net increase in cash	<u>\$ 1,196</u>
Cash at September 30, 2012	<u>\$ 1,521</u>
Supplemental cash flow disclosure	
Income tax paid	\$ 0
Interest paid	658

See Notes To Financial Statements

**SUN'S BROTHERS SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2012**

Note A - Summary of Significant Accounting Policies:

Business activities:

Sun's Brothers Securities, Inc. was registered on December 16, 2002 as a Broker/Dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 with the National Association of Security Dealers, Inc. ( Now the Financial Industry Regulatory Agency, FINRA) Central Registration Depository System.

In accordance with this registration the nature and scope of Sun's Brothers Securities, Inc.'s activities are to buy orders for the sale of mutual funds and securities, consulting, and related financial advisory services in the State of Hawaii. Sun's Brothers Securities, Inc is required to maintain a minimum "net capital" of \$5,000 at all times.

Cash and Cash Equivalents:

The Company considers all short-term investments with an original maturity of three months or less that are not required to be segregated under Federal or other regulations to be cash and cash equivalents.

Concentrations of credit risk:

The Company is engaged in various activities in private placement of securities in which counter parties, primarily broker-dealers, banks, and other financial institutions participate. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counter party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter party.

Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimated and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Date of management's review

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through November 28, 2012 the date that the financial statements were available to be issued.

Property, equipment and depreciation:

Property and equipment are stated at cost. Depreciation is computed using the accelerated method over the estimated useful lives of the assets, five years. Depreciation is provided under the modified accelerated cost recovery system (MACRS).

**SUN'S BROTHERS SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2012**

**Income taxes:**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. The Company incurred a loss during the period. The resulting Net Operating Loss may be carried forward to offset future taxable earnings and thus reduced corporation taxes in future years. The accumulated net operating loss carry forward at September 30, 2012 was \$125,453.

The Company's tax filings are subject to audit by various taxing authorities. The Company's Federal Income Tax Returns for the years ended September 30 2010, 2011, and 2012 remain open to examination by the Internal Revenue Service; State Income Tax Returns for the same periods remain open to examination by the State of Hawaii. In evaluating the Company's tax provisions and accruals, the Company believes that its estimates are appropriate based on current facts and circumstances.

**Note B - 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 requirements that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1. At September 30, 2012, the Company had net capital of \$18,684 which was \$13,684 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 57% at September 30, 2012.

**Note C - Fully Disclosed Clearing Agreement:**

Sun's Brothers Securities, Inc. has a fully disclosed clearing agreement with a broker-dealer to execute orders, and the clearance and settlement of all transactions, for the Company's customers.

**Note D - Related Party Transactions:**

The Company has an expense agreement with Min Won Yang, sole stockholder in which the sole stockholder agrees to assume payment responsibilities for paying certain ongoing business expenses of Sun's Brothers Securities, Inc. including space rent, utilities and insurance required for office space, and related miscellaneous ongoing expense for the operation of the business.

**Note E - Retirement Plan**

The Company provides a SEP IRA retirement plan for its employees. At the discretion of the Company's management, the Company may provide contributions to the retirement plan of up to 25% of employee compensation. The Company made no contribution for the year ended September 30, 2012.

**SUN'S BROTHERS SECURITIES, INC.**

**SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2012**

**COMPUTATION OF NET CAPITAL**

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Total ownership equity (from statement of financial condition)	\$ 18,917
Add:	
Allowable credits	-0-
Total capital and allowable credits	18,917
Deduct:	
Non-allowable assets	233
Net capital before haircuts on securities positions	18,684
Haircuts on securities	-0-
<b>Net Capital</b>	<b>18,684</b>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**

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Minimum net capital required: (6-2/3%) of aggregate indebtedness:	
Aggregate indebtedness	10,619
6-2/3% of above	708
Minimum dollar net capital requirement of broker-dealer	5,000
Net capital requirement (greater of above amounts)	5,000
Excess net capital	13,684

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

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Credit card payable	2,780
Rent payable	5,750
Commissions payable	\$ 2,089
<b>Total Aggregate Indebtedness</b>	<b>\$ 10,619</b>
<b>Percentage of aggregate indebtedness to net capital</b>	<b>57%</b>

**SUN'S BROTHERS SECURITIES, INC.**

**SUPPLEMENTARY INFORMATION**

**RECONCILIATION OF COMPUTATION OF NET CAPITAL  
PURSUANT TO RULE 15c3-1  
SEPTEMBER 30, 2012**

Net capital per respondent's most recent X-17A-5, Part II		\$ <u>18,684</u>
Adjustment for:		
Decrease in net loss	233	
Increase in nonallowable assets	<u>(233)</u>	<u>0.00</u>
Net capital per audited financial statements		\$ <u><u>18,684</u></u>

**SUN'S BROTHERS SECURITIES, INC.**

**SUPPLEMENTARY INFORMATION**

**COMPUTATION FOR DETERMINATION OF RESERVE  
REQUIREMENTS PURSUANT TO RULE 15c3-3  
SEPTEMBER 30, 2012**

Credit balance in customers' security accounts	\$	- 0 -
Debit balance		- 0 -
Reserve computation:		
Excess of total debts over total credits		None
Required deposit		None

There is no material difference between the corporation's computation included in Part II of Form X-17A-5 as of September 30, 2012, and the computation presented.



**SUN'S BROTHERS SECURITIES, INC.**

**INFORMATION RELATING TO THE POSSESSION  
ON CONTROL REQUIREMENTS UNDER Rule 15c3-3  
SEPTEMBER 30, 2012**

Sun's Brothers Securities, Inc. does not receive, directly or indirectly, or hold funds or securities for, or owe funds or securities and does not carry accounts of, or for, customers.

DAVID E. LATHAM  
CERTIFIED PUBLIC ACCOUNTANT

Board of Directors  
Sun's Brothers Securities, Inc.  
Honolulu, Hawaii

In planning and performing my audit of the financial statements of Sun's Brothers Securities, Inc. (the Company), as of and for the year ended September 30, 2012 in accordance with auditing standards generally accepted in the United States of America, I considered the Company's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I 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), I have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that I 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 I did not review the practices and procedures followed by the Company in any of the following.

1. Making the 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 fo the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on the 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 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.

My 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. I did not identify any deficiencies in internal control and control activities for safeguarding securities that I consider to be material weaknesses, as defined previously.

I 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 my study, I believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2012, to meet the SEC's objectives.

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



DAVID E. LATHAM, C.P.A.  
Honolulu, Hawaii

November 28, 2012