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

SEC FILE NUMBER
e-12629

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 10/01/2011 AND ENDING 09/30/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Nestlerode & Loy, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**430 W Irvin Avenue**

(No. and Street)

**State College**

**PA**

**16804**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Brian L Anderson

814-238-6249

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**J.H Williams & Co., LLP**

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

**270 Pierce Street, Suite 302**

**Kingston**

**PA**

**18704**

(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)

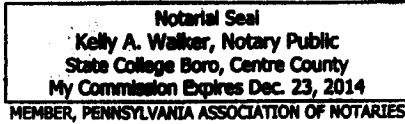
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Brian L Anderson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Nestlerode & Co., Inc. dba Nestlerode & Loy, Inc. as of November 20th, 2012, 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:

COMMONWEALTH OF PENNSYLVANIA



Brian Anderson
Signature

CFO

Title

[Signature]
Notary Public

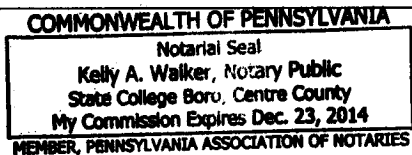
This report \*\* contains (check all applicable boxes):

- (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, Brian L Anderson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Nestlerode & Co., Inc. dba Nestlerode & Loy, Inc. of November 20th, 2012, 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:



Brian Anderson Signature

SEC Mail Processing Section Title

NOV 20 2012

[Signature] Notary Public

Washington DC 401

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**NESTLERODE & LOY, INC.  
ANNUAL FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**Nestlerode & Loy, Inc.**  
**Annual Financial Statements**  
**Table of Contents**  
**September 30, 2012**

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Independent Auditors' Report

Nestlerode & Loy, Inc.  
430 W. Irvin Avenue  
State College, Pennsylvania

We have audited the accompanying statement of financial condition of Nestlerode & Loy, Inc. as of September 30, 2012, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities and 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 Nestlerode & Loy, Inc. as of September 30, 2012, 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 in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required under Rule 17a-5 of the Securities and 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.

*J. H. Williams & Co., LLP*

November 5, 2012

**Nestlerode & Loy, Inc.**  
**Statement of Financial Condition**  
**September 30, 2012**

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ASSETS

Cash	\$ 302,592
Receivables:	
Accounts receivable - brokers and dealers	17,090
Accounts receivable - 12b-1	3,350
Employee advances	569
Total receivables	<u>21,009</u>
Prepaid taxes and expenses	16,664
Deferred tax assets	2,605
Furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$146,114	<u>45,036</u>
	<u>\$ 387,906</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable - trade	\$ 9,683
Accounts payable - 12b-1	1,675
Accrued salaries and wages	57,837
Accrued and withheld payroll taxes	2,970
	<u>72,165</u>
TOTAL LIABILITIES	<u>72,165</u>

STOCKHOLDERS' EQUITY

Preferred stock	20,000
Common stock	24,200
Retained earnings	271,541
	<u>315,741</u>
TOTAL STOCKHOLDERS' EQUITY	<u>315,741</u>

\$ 387,906

The accompanying notes are an integral part of these financial statements.

**Nestlerode & Loy, Inc.**  
**Statement of Income**  
**For the year ended September 30, 2012**

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REVENUES		
Commissions		\$ 389,449
Service fees and other income		<u>646,346</u>
	TOTAL REVENUES	1,035,795
OPERATING EXPENSES		<u>1,034,264</u>
	INCOME FROM OPERATIONS	1,531
OTHER INCOME		
Interest income		<u>376</u>
	INCOME BEFORE INCOME TAXES	<u>1,907</u>
PROVISION FOR INCOME TAXES		
Federal income tax		325
State income tax		<u>115</u>
	TOTAL PROVISION FOR INCOME TAXES	<u>440</u>
	NET INCOME	<u>\$ 1,467</u>

The accompanying notes are an integral part of these financial statements.



**Nestlerode and Loy, Inc.**  
**Statement of Changes in Stockholders' Equity**  
**For the year ended September 30, 2012**

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	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCES - BEGINNING	\$ 24,200	\$ 20,000	\$ 270,074	\$ 314,274
Net income	<u>-</u>	<u>-</u>	<u>1,467</u>	<u>1,467</u>
BALANCES - ENDING	<u>\$ 24,200</u>	<u>\$ 20,000</u>	<u>\$ 271,541</u>	<u>\$ 315,741</u>

The accompanying notes are an integral part of these financial statements.

**Nestlerode & Loy, Inc.**  
**Statement of Cash Flows**  
**For the year ended September 30, 2012**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 1,467
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	9,297
Loss on Disposal of Assets	656
Deferred income taxes	(21)
(Increase) decrease in:	
Accounts receivable - brokers and dealers	1,037
Accounts receivable - 12b-1	5
Employee advances	809
Prepaid taxes and expenses	(4,981)
Increase (decrease) in:	
Accounts payable - trade	(2,984)
Accounts payable - RBC	2,605
Accounts payable - 12b-1	(2)
Accrued salaries and wages	4,701
Accrued and withheld payroll taxes	<u>(555)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 12,034

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of furniture, equipment and leasehold improvements	<u>(4,207)</u>
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**NET CASH (USED IN) INVESTING ACTIVITIES** (4,207)

**CASH FLOWS FROM FINANCING ACTIVITIES**

-

**NET INCREASE IN CASH** 7,827

**CASH - BEGINNING** 294,765

**CASH - ENDING** \$ 302,592

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Income taxes paid	\$ 3,533
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The accompanying notes are an integral part of these financial statements.

**Nestlerode & Loy, Inc.**  
**Notes to Financial Statements**  
**September 30, 2012**

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**NOTE 1 – Nature of Operations**

Nestlerode & Loy, Inc. (formerly Nestlerode & Company, Inc.), (the “Company”), was incorporated on September 17, 1965, for the purpose of providing brokerage and investment advisory services and is registered with the Securities and Exchange Commission. The Company maintains an office in State College, PA.

**NOTE 2 – Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2012.

**Allowance for Bad Debts**

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for bad debts is required.

**Depreciation and Amortization**

Fixed assets are recorded at cost. Furniture and equipment are depreciated using straight-line methods over 5 and 7 years. Leasehold improvements are generally depreciated using the straight line method over 20 years. Computer software costs are amortized using the straight line method over 3 years. Depreciation and amortization expenses totaled \$9,297 for the year ended September 30, 2012.

**Income Taxes**

The Company uses an asset and liability approach to financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable income or which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Principal timing differences are due primarily to depreciation on property and equipment and charitable contributions expense.

As of September 30, 2012, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Company had no interest and penalties related to income taxes.

The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008.

**NOTE 3 – Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule which requires the maintenance of minimum net capital. A computation of net capital under Rule 15c3-1 is included as Schedule I of this report.

**NOTE 4 – Customer Accounts Fully Disclosed**

The Company does not hold any customer securities. All such accounts are carried at RBC Correspondent Services, Minneapolis, Minnesota. Therefore, the Company claims exemption from the reporting requirements of Rule 15c3-3(k)(2)(ii).

**NOTE 5 – Liabilities Subordinated to Claims of General Creditors**

There are no liabilities subordinated to claims of general creditors.

**Nestlerode & Loy, Inc.**  
**Notes to Financial Statements**  
**September 30, 2012**

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**NOTE 6 – Stockholders' Equity**

Details of stockholders' equity at September 30, 2012 are as follows:

	<u>Preferred Stock</u>	<u>Common Stock</u>
Value	\$ 20,000	\$ 24,200
Par value	None	None
Shares authorized	5,000,000	5,000,000
Shares issued and outstanding	2,420,000	2,420,000

The common stock is the voting stock of Nestlerode & Loy, Inc. The preferred stock has no voting rights and is not entitled to participate in the management of Nestlerode & Loy, Inc. There was no activity involving the shares authorized, issued or outstanding during the year ended September 30, 2012.

**NOTE 7 – Pension Plan**

Effective January 1, 2012, the Company replaced their SIMPLE pension plan with a 401(K) plan for the benefit of eligible employees. Eligibility under this plan is limited to employees of the Company who work at least 1,000 hours a year and have been employed for 1 year. The Company may match up to 100% of the first 3% of contributions made by employees, as well as 50% of contributions between 3% and 5%. The Company may also make profit sharing contributions to the plan at its discretion.

Company contributions totaled \$21,949 under both plans for the year ended September 30, 2012.

**NOTE 8 – Advertising**

The Company follows the policy of charging the costs of advertising to expense during the year in which the advertising first takes place. Advertising expense was \$43,579 for the year ended September 30, 2012.

**Nestlerode & Loy, Inc.**  
**Notes to Financial Statements**  
**September 30, 2012**

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**NOTE 9 – Provision for Income Taxes**

Income tax expense (benefit) for the year ended September 30, 2012 consisted of the following:

	<u>Federal</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 337	\$ (12)	\$ 325
State	\$ 124	\$ (9)	\$ 115
Totals	<u>\$ 461</u>	<u>\$ (21)</u>	<u>\$ 440</u>

Deferred tax assets consisted of the following components:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Property and Equipment	\$ 443	\$ 328	\$ 771
Charitable Contributions Expense	\$1,054	\$ 780	\$ 1,834
Totals	<u>\$ 1,497</u>	<u>\$1,108</u>	<u>\$ 2,605</u>

The Company has charitable contribution carryforwards of \$7,805, of which \$4,805 will expire in 2016 and \$3,000 in 2017.

**NOTE 10 – Related Party Transactions**

The Company leases office space under a month-to-month lease from West Irvin Associates, a related party that is partly owned by a minority stockholder of the Company. The total lease payments to West Irvin Associates for the year ended September 30, 2012 were \$36,000.

**NOTE 11 – Commitments and Contingencies**

Management is not aware of any commitments or contingencies that require disclosure in accordance with U.S. generally accepted accounting principles.

**NOTE 12 – Subsequent Events**

Management has evaluated subsequent events through November 9, 2012, which is the date that the Company's financial statements were available to be issued. No material subsequent events have occurred since September 30, 2012 that required recognition or disclosure in the accompanying financial statements.

## SUPPLEMENTARY INFORMATION

# Nestlerode & Loy, Inc.

## Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Act of 1934 September 30, 2012

### NET CAPITAL

Total stockholders' equity	\$	315,741
Deduct stockholders' equity not allowable for net capital computation		-
<b>TOTAL STOCKHOLDERS' EQUITY ALLOWABLE FOR NET CAPITAL COMPUTATION</b>		<u>315,741</u>
Deductions		
Petty cash		381
Receivables due for fees earned from third-party participations		1,116
Mutual fund concessions receivable (net of related accounts payable)		859
Non-security related debit balances due 12b-1 fees (net of related accounts payable)		1,675
Employee advances		569
Prepaid taxes and expenses		17,125
Fixed assets (net of accumulated depreciation and amortization)		45,035
Deferred tax assets		2,584
	<b>TOTAL DEDUCTIONS</b>	<u>69,344</u>
	<b>ADJUSTED NET CAPITAL</b>	<u>\$ 246,397</u>

### AGGREGATE INDEBTEDNESS

Accounts payable - trade	\$	6,219
Accounts payable - RBC		2,605
Accounts payable - 12b-1		1,675
Accounts payable - Mutual Fund Concessions		859
Accrued salaries and wages		57,837
Accrued and withheld payroll taxes		2,970
	<b>TOTAL AGGREGATE INDEBTEDNESS</b>	<u>\$ 72,165</u>

### Computation of Basic Net Capital

Minimum net capital required (6 2/3% of total aggregate indebtedness)	\$	4,811
Minimum dollar net capital required	\$	<u>50,000</u>

Adjusted Net Capital	\$	246,397
Minimum Net Capital Required (Greater of Above)		50,000
	<b>EXCESS NET CAPITAL</b>	<u>\$ 196,397</u>

### RECONCILIATION WITH COMPANY'S COMPUTATION

(included in Part II of Form X-17A-5 as of September 30, 2012.)

There were no material differences between the computation of net capital under Rule 15c3-1 in the above computation and the corresponding unaudited Part IIA filing by Nestlerode & Loy, Inc. for the year ended September 30, 2012.



**Nestlerode & Loy, Inc.**  
**Schedule II - Operating Expenses**  
**For the year ended September 30, 2012**

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Commissions	\$	327,836
Wages		233,465
Insurance		54,054
Taxes		36,405
Pension contributions		21,949
Trading expense		63,035
Contracted services		27,912
Licenses and fees		9,626
Research		7,435
Dues and subscriptions		36,951
Office expense		39,385
Supplies		737
Postage		5,465
Training and seminars		1,087
Professional fees		25,593
Advertising		43,579
Rent		36,133
Maintenance		4,346
Telephone		28,758
Utilities		7,078
Travel and entertainment		4,263
Contributions		3,000
Depreciation and amortization		9,297
Miscellaneous		<u>6,875</u>
TOTAL OPERATING EXPENSE	\$	<u>1,034,264</u>



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

Nestlerode & Loy, Inc.  
430 W. Irvin Avenue  
State College, Pennsylvania

In planning and performing our audit of the financial statements of Nestlerode & Loy, Inc, as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

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

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

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, 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 above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures as described in the second paragraph of this report were adequate at September 30, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the Securities and Exchange Commission, 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.

*J. H. Williams & Co., LLP*

November 5, 2012