

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

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

SEC FILE NUMBER	
8 -	43830

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

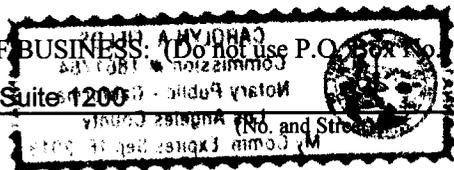
REPORT FOR THE PERIOD BEGINNING 01/01/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FPA Fund Distributors, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box)  
11400 W. Olympic Blvd. Suite 1200  
Los Angeles California 90064  
(City) (State) (Zip Code)



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
J. Richard Atwood (310) 996-5458  
(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

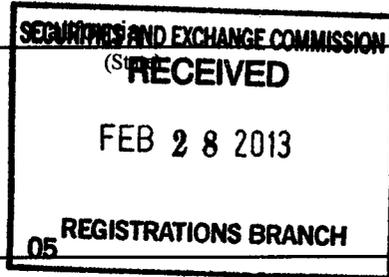
Rothstein Kass

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

9171 Wilshire Boulevard, 5th Floor Beverly Hills 90210  
(Address) (City) (Zip Code)

**CHECK ONE:**

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



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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, J. Richard Atwood, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FPA Fund Distributors, Inc., as of December 31, 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:

[Handwritten Signature]

Signature

PRESIDENT

Title

[Handwritten Signature]

Notary Public



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

- (a) Facing page. [X]
(b) Statement of Financial Condition. [X]
(c) Statement of Income (Loss). [ ]
(d) Statement of Changes in Financial Condition. [ ]
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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. [X]
(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. [ ]
(o) Independent auditor's report on internal accounting control. [ ]
(p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5. [ ]

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

**FPA FUND DISTRIBUTORS, INC.**

**STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2012**

# FPA FUND DISTRIBUTORS, INC.

## CONTENTS

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**Independent Auditors' Report**

1

**Financial Statement**

Statement of Financial Condition

2

Notes to Financial Statement

3-6

# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of FPA Fund Distributors, Inc.

We have audited the accompanying statement of financial condition of FPA Fund Distributors, Inc. (the "Company") as of December 31, 2012 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of the statement of financial condition 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 the statement of financial condition that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial condition, 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 statement of financial condition 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, we 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 statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of FPA Fund Distributors, Inc. as of December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.



Beverly Hills, California  
January 25, 2013

# FPA FUND DISTRIBUTORS, INC.

## STATEMENT OF FINANCIAL CONDITION

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December 31, 2012

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### ASSETS

Cash and cash equivalents	\$ 555,527
	<u>\$ 555,527</u>

### STOCKHOLDER'S EQUITY

Common stock, no par value; authorized 1,000 shares; issued and outstanding 100 shares	\$ 4,000
Additional paid-in capital	2,195,239
Accumulated deficit	<u>(1,643,712)</u>
	<u>\$ 555,527</u>

# FPA FUND DISTRIBUTORS, INC.

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of business and summary of significant accounting policies

#### *Nature of Business*

FPA Fund Distributors, Inc. (the "Company") is a wholly-owned subsidiary of First Pacific Advisors, LLC ("FPA"), an investment adviser registered with the Securities Exchange Commission ("SEC") under the Investment Advisors Act of 1940. The Company is registered as a broker-dealer under the Securities Exchange Act of 1934 (the "Act") and a member of Financial Industry Regulatory Authority ("FINRA") and acted exclusively as principal underwriter and distributor for six open-end investment management companies (the "Funds") managed by FPA through September 30, 2012. The Company promoted the sale of shares of the Funds domestically by broker-dealers that are members in good standing with FINRA.

The Company ceased brokerage operations on September 30, 2012 and withdrew its broker-dealer registration from SEC and FINRA effective January 2, 2013. FPA will provide capital contributions to the Company as necessary for it to continue as a going concern. Effective October 1, 2012, UMB Fund Services, Inc. is the principal underwriter and distributor of the Funds.

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

These financial statements were approved by management and available for issuance on January 25, 2013. Subsequent events have been evaluated through this date.

#### *Cash Equivalents*

The Company considers its investments in short-term money market accounts to be cash equivalents.

#### *Revenue and Expense Recognition from Securities Transactions*

Commission income is recorded on a trade-date basis and accrued as earned based upon the Funds' sales of shares distributed by the Company after reallowance to other broker-dealers.

#### *Income Taxes*

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax asset and liabilities are computed for difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

# FPA FUND DISTRIBUTORS, INC.

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of business and summary of significant accounting policies (continued)

#### *Income Taxes (continued)*

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the consolidated financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce stockholders equity. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company files its income tax returns in the U.S. federal and various state and local jurisdictions. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for years before 2009. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

### 2. Net capital requirement

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and 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, 2012, the Company's net capital was approximately \$556,000, which was approximately \$531,000 in excess of its minimum requirement of \$25,000.

# FPA FUND DISTRIBUTORS, INC.

## NOTES TO FINANCIAL STATEMENT

### 3. Income taxes

The provision for income taxes consists of the following:

Deferred tax (benefit)	
Federal	\$ (98,807)
State	(27,364)
	<u>(126,171)</u>
Change in valuation allowance	<u>126,171</u>
	<u>\$ -</u>

The tax effects of the temporary differences that give rise to significant portions of the Company's deferred income tax assets and liabilities are as follows:

Federal net operating loss	\$ 466,501
State net operating loss	<u>128,850</u>
Deferred tax assets before valuation allowance	595,351
Valuation allowance	<u>(595,351)</u>
Net deferred tax assets	<u>\$ -</u>

The Company has net operating loss ("NOL") carry-forwards that can be utilized to offset future income for federal and state tax purposes. These NOL's generate a significant deferred income tax asset. However, the Company has recorded a valuation allowance against this deferred income tax asset as it has been determined that it is more likely than not that the NOL's will not be fully utilized. Should the assumptions regarding the utilization of these NOL's change, the Company may reduce some or all of this valuation allowance, which would result in the recording of a deferred income tax benefit. As of December 31, 2012, the Company has Federal and state operating loss carry forwards of approximately \$467,000 and \$129,000, respectively, which expire through 2031.

### 4. Concentrations of revenue and credit risk

The Company's revenues from its largest related fund represents approximately 68% of its commission revenue for the year ended December 31, 2012. As indicated in Note 1, all revenues are derived from related mutual funds' sales.

The Company maintains its cash balances in various financial institutions. Interest bearing balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

# **FPA FUND DISTRIBUTORS, INC.**

## **NOTES TO FINANCIAL STATEMENT**

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### **5. Exemption from Rule 15c3-3**

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

### **6. Related party transactions**

The Company has allocated costs from FPA, which represent the Company's portion of operating expenses incurred by FPA and are paid through capital contributions. Allocations from FPA to the Company totaled \$358,324 for the year ended December 31, 2012.

The Company is under common control with other related parties and the existence of this control could result in operating results or financial position of the Company to be significantly different from those that would have been obtained if the entities were autonomous.