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

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

MAR 01 2013

SEC FILE NUMBER  
8- 42370

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 January 1, 2012 AND ENDING December 31, 2012  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Starshak Winzenburg & Co.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

55 West Monroe Street, Suite 2530

Chicago Illinois 60603  
(City) (No. and Street) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Thomas Starshak (312-444-9367)  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Pasquesi Sheppard LLC

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

585 Bank Lane Lake Forest Illinois 60045  
(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)

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3/9/13

OATH OR AFFIRMATION

I, Thomas Starshak, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Starshak Winzenburg & Co., 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 of Thomas Starshak

Signature

Vice-President, FINOP

Title

Handwritten signature of Danica Munson

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).

PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

Mr. Joseph Starshak  
Starshak Winzenburg & Co.

In planning and performing our audit of the financial statements of Starshak Winzenburg & Co. (the Company) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Starshak Winzenburg & Co.'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 and correct misstatements on a timely basis. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the Company's internal control to be a significant deficiency:

Expense Receipts

The Company generally does not retain receipts for items charged to credit cards or for meals at University Club. These receipts should be retained for at least three years. Receipts for meals should include a brief note that states who the meal was with and what was discussed.

Starshak Winzenburg & Co.  
Page two

This communication is intended solely for the information and use of management, the Board of Directors of Starshak Winzenburg & Co., and others within the Company and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Pasquesi Sheppard LLC  
Lake Forest, Illinois  
February 8, 2013

PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

February 8, 2013

Mr. Joseph Starshak  
Starshak Winzenburg & Co.  
55 West Monroe Street, Suite 2530  
Chicago IL, 60603-5008

MAR 01 2013

We have audited the financial statements of Starshak Winzenburg & Co. (the Company) for the year ended December 31, 2012, and have issued our report thereon dated February 8, 2013. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 29, 2012. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 to the financial statements. No new accounting policies were adopted during the year. During 2012, the Company reduced its minimum threshold for capitalizing fixed asset additions to \$500. There were no other changes to the application of existing policies during 2012. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The computation of Net Capital in Schedule I of the financial statements.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that the effect is immaterial to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 8, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

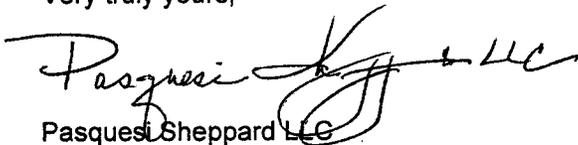
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Starshak Winzenburg & Co. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

  
Pasquesi Sheppard LLC

PASQUESI  
SHEPPARD LLC

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ACCOUNTANTS AND CONSULTANTS

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**STARSHAK WINZENBURG & CO.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**TOGETHER WITH AUDITOR'S REPORT**



PASQUESI  
SHEPPARD LLC

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ACCOUNTANTS AND CONSULTANTS  
REPORT OF INDEPENDENT AUDITOR

BOARD OF DIRECTORS  
STARSHAK WINZENBURG & CO.  
CHICAGO, ILLINOIS

### **Report on the Financial Statements**

We have audited the accompanying statement of financial condition of STARSHAK WINZENBURG & CO. as of December 31, 2012, and the related statements of operations, changes in stockholder's equity, 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**

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 misstatements.

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 entity'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 entity'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 financial statements. 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 financial statements referred to above present fairly, in all material respects, the financial position of STARSHAK WINZENBURG & CO. as of December 31, 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.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the 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 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 in Schedules I and II 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 in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.



Pasquesi Sheppard LLC  
Lake Forest, Illinois  
February 8, 2013

STARSHAK WINZENBURG & CO.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2012

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ASSETS

**CURRENT ASSETS:**

Cash and cash equivalents		\$ 28,011
Prepaid expenses		<u>11,830</u>
Total current assets		\$ 39,841

**FIXED ASSETS:**

Office equipment	\$ 51,199	
Less – Accumulated depreciation	<u>(45,309)</u>	5,890

**OTHER ASSETS:**

NASD and security deposits		<u>5,632</u>
Total assets		<u><u>\$ 51,363</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

**CURRENT LIABILITIES:**

Accounts payable		\$ 10,393
Accrued expenses		2,034
Deposits		<u>1,500</u>
Total current liabilities		\$ 13,927

**STOCKHOLDER'S EQUITY:**

Common stock –		
5,000 shares authorized with no par value;		
3,868 shares issued and outstanding	\$ 50,500	
Additional paid-in capital	557,917	
Retained deficit	<u>(570,981)</u>	<u>37,436</u>
Total liabilities and stockholder's equity		<u><u>\$ 51,363</u></u>

The accompanying notes are an integral part of this financial statement.

**STARSHAK WINZENBURG & CO.**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**REVENUE:**

Investment banking revenue and advisory fees		\$ 293,397
Rental income		<u>18,000</u>
Total revenue		\$ 311,397

**OPERATING EXPENSES:**

Salaries, wages and staffing expenses	\$ 243,865	
Payroll taxes and expenses	17,187	
Insurance	36,517	
Subcontractors fees	18,850	
Occupancy expense	66,074	
Computer and office supplies	6,077	
Depreciation	3,855	
Telephone	9,474	
Postage and delivery	986	
Dues and subscriptions	46,473	
Professional fees	20,503	
Regulatory fees, taxes and license expenses	8,342	
Education meetings and expenses	3,635	
Travel expenses	23,005	
Bad debt expense	1,317	
Advertising	2,848	
Meals and entertainment	15,629	
Donations	<u>1,280</u>	<u>525,917</u>
Net loss		<u><u>\$ (214,520)</u></u>

The accompanying notes are an integral part of this financial statement.

STARSHAK WINZENBURG & CO.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

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	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balances at January 1, 2012	\$ 50,500	\$ 357,917	\$ (356,461)	\$ 51,956
Contributions	-	200,000	-	200,000
Net loss	-	-	(214,520)	(214,520)
Balances at December 31, 2012	<u>\$ 50,500</u>	<u>\$ 557,917</u>	<u>\$ (570,981)</u>	<u>\$ 37,436</u>

The accompanying notes are an integral part of this financial statement.

**STARSHAK WINZENBURG & CO.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$ (214,520)
Adjustments to reconcile net loss to net cash used for operating activities —	
Depreciation	3,855
Impact from changes in cash and cash equivalents —	
Accounts receivable	14,420
Prepaid expenses	374
Other assets	(383)
Accounts payable	(139)
Accrued expenses	(4,026)
Client deposits	<u>(33,640)</u>
Net cash used for operating activities	\$ (234,059)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of equipment	(1,531)
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Contributions to additional paid-in capital	<u>200,000</u>
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**NET DECREASE IN CASH** \$ (35,590)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 63,601

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 28,011

The accompanying notes are an integral part of this financial statement.

STARSHAK WINZENBURG & CO.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

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(1) DESCRIPTION OF COMPANY AND SIGNIFICANT ACCOUNTING POLICIES:

Description of Company —

Starshak Winzenburg & Co. (the Company) is a private investment banking company that provides financial advisory services. Assignments include corporate finance engagements in which companies seek to raise debt and equity capital, restructure current obligations, acquire or divest assets, or request assistance with other financial issues. The Company also assists governmental and not-for-profit organizations in securities transactions and restructuring obligations. The Company is a member of the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, and the Securities Investor Protection Corporation and is a registered broker/dealer with the Securities and Exchange Commission.

Income Recognition —

Investment banking revenue includes fees arising from securities offerings in which the Company offers advisory services and fees earned from merger-and-acquisition and financial restructuring advisory services. The Company also provides other financial services, such as providing financial fairness opinions and constructing specialized financial models for clients. Rental income is generated from sub-leased real property. All sales are recorded on settlement date. Advisory fees and rental income are recognized as earned.

Cash and Cash Equivalents —

For purposes of the statement of cash flows, the Company considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Financial Instruments —

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of trade receivables. The Company maintains cash accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses and management believes it is not exposed to any significant credit risk on cash.

The Company derived 69% of its sales from three clients for the year ended December 31, 2012.

STARSHAK WINZENBURG & CO.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

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Accounts Receivable —

Management closely monitors outstanding accounts receivable and charges off to expense any past due balances that are determined uncollectible. The Company deems accounts past due based on their contractual terms.

At December 31, 2012, the Company had no accounts receivable and no allowance for doubtful accounts.

Fixed Assets —

Fixed assets are stated at cost. Depreciation is calculated over the estimated useful lives of the assets using the straight-line method. The estimated useful life of office equipment is three to seven years, depending on the asset.

Income Taxes —

The Company has elected to be treated as an S Corporation under the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes since such taxes are the liability of the individual stockholder.

U.S. generally accepted accounting principles (GAAP) imposes a threshold for determining when uncertain tax positions should be disclosed or recorded. The threshold now imposed for financial statement reporting generally is higher than the threshold imposed for claiming deductions in income tax returns. Management has determined that all of the Company's tax positions have a greater than 50 percent chance of being sustained if a taxing authority were to examine the positions. As such, management has not disclosed or recorded any uncertain tax positions in the financial statements.

The Company's federal income tax returns prior to 2009 are closed. State jurisdictions have statutes of limitations that generally range from three to five years.

Use of Estimates —

The preparation of financial statements, in conformity with U.S. GAAP, 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

STARSHAK WINZENBURG & CO.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

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(2) LEASE COMMITMENT:

The Company leases its office and storage facilities under a non-cancelable operating lease which expires on May 31, 2013. The lease provides for a monthly minimum rental and requires the Company to pay its share of taxes and expenses. Future minimum rent payments due in 2013 total \$18,904.

Rent expense, including taxes and expenses, was \$65,101 in 2012.

(3) NET CAPITAL REQUIREMENTS:

The Company is subject to the Securities and Exchange Commission Uniform New Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1 (and the FINRA rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1).

At December 31, 2012, the Company had net capital (as defined under Rule 15c3-1) of \$13,884 which was \$8,884 in excess of its required net capital of \$5,000. The percentage of aggregate indebtedness to net capital at December 31, 2012 was 100%. These amounts are not materially different from the unaudited amounts submitted in the FOCUS report for the year ended December 31, 2012.

(4) SUBSEQUENT EVENTS:

The Company's management has performed an analysis of activities and transactions subsequent to December 31, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year then ended. Management has performed their analysis through February 8, 2013, the date which the financial statements were available to be issued.

**STARSHAK WINZENBURG & CO.**

**SCHEDULE I**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**

**AS OF DECEMBER 31, 2012**

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**NET CAPITAL:**

Total stockholder's equity from statement of financial condition	<u>\$37,436</u>
Deduction and/or charges –	
Nonallowable assets from statement of financial condition:	
Petty cash	\$ 200
Prepaid expenses	11,830
Fixed assets, net	5,890
NASD and security deposits	<u>5,632</u>
Total nonallowable assets	<u>\$23,552</u>
Net capital	<u><u>\$13,884</u></u>

**AGGREGATE INDEBTEDNESS:**

Total aggregate indebtedness liabilities from statement of financial condition	<u>\$13,927</u>
Percentage of aggregate indebtedness to net capital	100%

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:**

Minimum net capital requirement (6 - 2/3% of total aggregate indebtedness)	<u>\$ 928</u>
Minimum dollar net capital requirement of reporting broker	<u>\$ 5,000</u>
Net capital requirement (greater of minimum net capital or minimum dollar net capital)	<u>\$ 5,000</u>
Excess net capital (net capital less required net capital)	<u>\$ 8,884</u>
Net capital less greater of 10% of aggregate indebtedness or 120% of minimum dollar net capital requirement	<u><u>\$ 7,884</u></u>

There are no material differences between the preceding computation and the Company's corresponding unaudited Part IIA of Form X-17A-5 as of December 31, 2012.

The accompanying notes are an integral part of this schedule.

STARSHAK WINZENBURG & CO.

SCHEDULE II

REQUIREMENTS UNDER RULE 15c3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION

AS OF DECEMBER 31, 2012

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The schedules for Computation for Determination of Reserve Requirements and Information for Possession or Control Requirements Under Rule 15c3-3 are inapplicable to Starshak Winzenburg & Co. because the Company is exempt under the exemptive provision section of Rule 15c3-3(k)(2)(i), (Special Account For the Exclusive Benefit of Customers Maintained).

The Company complied with the conditions of the exemption during the audit period.

PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

**STARSHAK WINZENBURG & CO.**

**REPORT ON INTERNAL CONTROL  
DECEMBER 31, 2012**

**(FILED PURSUANT TO SEC RULE 17a-5)**

PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

MAR 01 2013

REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1)

BOARD OF DIRECTORS  
STARSHAK WINZENBURG & CO.  
CHICAGO, ILLINOIS

In planning and performing our audit of the financial statements of STARSHAK WINZENBURG & CO. (the Company), as of and for the year ended December 31, 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 compliance with 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 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, 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 previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. 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 and correct, misstatements on a 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.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously. However, we identified a deficiency in internal control that we consider to be a significant deficiency, and communicated this in writing to management and those charged with governance on February 8, 2013.

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, 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, National Association of Securities Dealers, 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.

A handwritten signature in black ink, appearing to read "Pasquesi Sheppard LLC", written in a cursive style.

Pasquesi Sheppard LLC  
Lake Forest, Illinois  
February 8, 2013