

MB
1/14

DD
1/13/13

SECURITIES AND EXCHANGE COMMISSION



SSION

RECEIVED

13026428

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

OCT 8 2013

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

DIVISION OF TRADING & MARKETS

SEC FILE NUMBER
8-47036

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: JBS LIBERTY SECURITIES, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2626 DALE EARNHARDT BOULEVARD
(No. and Street)
KANNAPOLIS NC 28083
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
TRACY VANHAMME (704) 295-6631
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FAULKNER AND THOMPSON, P.A.
(Name - if individual, state last, first, middle name)
226 NORTH PARK DRIVE, SUITE 110 ROCK HILL SC 29730
(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)

DD
1/24/13

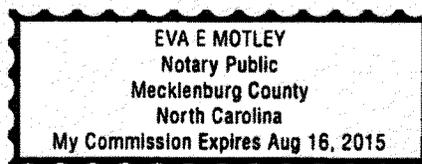
I, **Tracy M. VanHamme**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **JBS Liberty Securities, Inc.**, as of **December 31, 2012**, are true and correct. I further swear (or affirm) that neither the company, nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified as that of a customer.

Tracy M. VanHamme
Signature

Chief Financial Officer
Title

Subscribed and sworn to before me this
27 day of February, 2013.

Eva E. Motley
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 Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors.
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers 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 Securities Investor Protection Corporation 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 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)

**JBS LIBERTY SECURITIES, INC
REPORT ON AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

TABLE OF CONTENTS

	<u>Page</u>
AUDITED FINANCIAL STATEMENTS	
Independent Auditors' Report	1
Statement of Financial Condition	3
Statement of Income (Loss).....	4
Statement of Changes in Stockholder's Equity	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7
SUPPLEMENTARY INFORMATION	
Schedule I – Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission.....	10
Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5.....	11

**FAULKNER AND THOMPSON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

ROBERT E. FAULKNER
T. DALE THOMPSON

226 NORTH PARK DRIVE, SUITE 110
POST OFFICE BOX 2456
ROCK HILL, SOUTH CAROLINA 29732
TELEPHONE: 803-324-3160
FACSIMILE: 803-324-2767

NORTH CAROLINA:
10800 SIKES PLACE, SUITE 300
CHARLOTTE, NORTH CAROLINA 28277
TELEPHONE: 704-541-6180
FACSIMILE: 704-846-3103

CERTIFIED IN S.C. AND N.C.

INDEPENDENT AUDITORS' REPORT

To the Stockholder of
JBS Liberty Securities, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial condition of JBS Liberty Securities, Inc., (the Company) as of December 31, 2012, and the related statements of income, 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 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, 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 JBS Liberty Securities, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance 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 as a whole. The information contained in Schedule I 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 Schedule I 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 Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.

Faulkner & Thompson, P.A.

Rock Hill, South Carolina
February 20, 2013

**JBS LIBERTY SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2012**

ASSETS

ASSETS

Cash and cash equivalents	\$ 138,684
Receivables from broker-dealers	56,984
Other assets	49,785
Intercompany receivables	20,881
Goodwill	<u>78,750</u>
 Total assets	 \$ <u>345,084</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 21,598
Commissions payable	23,735
Income taxes payable	51,230
Deferred income taxes	<u>7,100</u>
 Total liabilities	 <u>103,663</u>

STOCKHOLDER'S EQUITY

Common stock; 100 shares issued, authorized and outstanding, no par value	-
Contributed capital	105,000
Retained earnings	<u>136,421</u>
 Total stockholder's equity	 <u>241,421</u>
 Total liabilities and stockholder's equity	 \$ <u>345,084</u>

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

JBS LIBERTY SECURITIES, INC.
STATEMENT OF INCOME (LOSS)
For the Year Ended December 31, 2012

REVENUE	
Retail commissions	\$ 619,367
Service fees	<u>213,050</u>
Total revenue	<u>832,417</u>
OPERATING EXPENSES	
Employee compensation and benefits	445,953
Regulatory fees and expenses	57,273
Bad debt expense	44,608
Management fees	36,000
Rent and occupancy	27,558
Professional fees	16,750
Miscellaneous	10,531
Consulting expense	6,767
Education	3,125
Insurance	<u>1,753</u>
Total operating expenses	<u>650,318</u>
Net operating income	<u>182,099</u>
Net income before income taxes	<u>182,099</u>
PROVISION FOR INCOME TAXES	
Current	(59,500)
Deferred	<u>(1,100)</u>
Total provision for income taxes	<u>(60,600)</u>
Net income (loss)	<u>\$ 121,499</u>

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

JBS LIBERTY SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2012

	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE AT DECEMBER 31, 2011	\$ 105,000	\$ 49,922	\$ 154,922
Dividend distribution	-	(35,000)	(35,000)
Net income for the year ended December 31, 2012	<u>-</u>	<u>121,499</u>	<u>121,499</u>
BALANCE AT DECEMBER 31, 2012	<u>\$ 105,000</u>	<u>\$ 136,421</u>	<u>\$ 241,421</u>

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

JBS LIBERTY SECURITIES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

CASH FLOW FROM OPERATING ACTIVITIES	
Net income	\$ 121,499
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in receivables	(50,683)
Increase in other assets	(36,621)
Decrease in accounts payable and accrued expenses	(6,846)
Increase in commissions payable	23,735
Increase in receivable from related party	(20,881)
Increase in income tax payable	45,630
Increase in deferred tax liability	<u>1,100</u>
Net cash provided by operating activities	<u>76,933</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Dividend distribution	(<u>35,000</u>)
Net cash used for financing activities	(<u>35,000</u>)
Increase in cash	<u>41,933</u>
CASH, BEGINNING OF YEAR	<u>96,751</u>
CASH, END OF YEAR	<u>\$ 138,684</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:	
Income tax payments	<u>\$ 8,360</u>

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

**JBS LIBERTY SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

JBS Liberty Securities, Inc. (the Company) is registered as a broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA), formerly the National Association of Securities Dealers, Inc. (NASD). Effective June 1, 2007, the Company was sold thus effecting a one hundred percent change in ownership. These financial statements reflect the operations of the new ownership. On the date of acquisition, goodwill was recorded to reflect the difference between the consideration given for the Company's common stock and the fair value of the Company's net assets. On June 15, 2007, the name of the corporation was changed from RBC Centura Securities, Inc. to JBS Liberty Securities, Inc. The Company is a North Carolina corporation that is a wholly owned subsidiary of Synergy Holding Group, Inc.

The Company's primary source of revenue is derived from providing brokerage services and electronic trading facilities to customers who are predominantly middle and upper income individuals and small and middle-market businesses. The Company maintains no cash or securities for its customers nor does it carry or clear transactions for its customers. The Company clears all of its customer transactions through other broker-dealers on a fully disclosed basis.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company defines cash equivalents as all highly liquid investments with an original maturity of three months or less.

Securities Transactions

Securities transactions, commission revenue and commission expenses are recorded on a trade-date basis. Unrealized gains and losses on securities transactions, if any, are included in riskless principal transactions in the statement of income. Marketable securities are recorded at market value.

Receivables from Broker-Dealers

Receivables from broker-dealers are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off balances when amounts are deemed uncollectible.

Fair Value of Financial Instruments

The financial instruments of the Company are reported on the statement of financial condition at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

Goodwill

On an annual basis and at interim periods when circumstances require, the Company tests the recoverability of its goodwill. The goodwill testing utilizes a two-step impairment analysis, whereby the Company compares the carrying value of each identified reporting unit to its fair value. If the carrying value is greater than its value, the second step is performed, where the implied fair value of goodwill is compared to its carrying value. The Company recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. No impairment charge was necessary for 2012.

**JBS LIBERTY SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Income Taxes

Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, requires a company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if there is uncertainty regarding their realization.

Unrecognized Tax Benefit

Tax benefits are recorded only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in the tax returns that do not meet these recognition and measurement standards.

The Company has no tax positions at the end of the year for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INCOME TAXES

JBS Liberty Securities, Inc. recognizes income tax expense at the applicable federal and state income tax rates. The current and deferred portions of the income tax expense (benefit) included in the statement of income (loss) are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal income taxes	\$ 47,250	\$ 700	\$ 47,950
State income taxes	<u>12,250</u>	<u>400</u>	<u>12,650</u>
Total income tax expense	<u>\$ 59,500</u>	<u>\$ 1,100</u>	<u>\$ 60,600</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liability at December 31, 2012 was \$7,100 and is primarily related to differences in goodwill.

JBS LIBERTY SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – INCOME TAXES, CONTINUED

The Company recognizes the accrual of any interest and penalties related to unrecognized tax benefits in income tax expense. No material interest or penalties were paid during 2012.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company reimburses a related party for management fees and a portion of its operating expenses. During the year ended December 31, 2012, the Company paid approximately \$36,000 for management fees and approximately \$46,000 for certain employee-related costs and other operating expenses.

At December 31, 2012, there was \$20,881 due from related parties.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

The Company does not carry accounts for customers or perform custodial functions related to customers' securities. The Company introduces all of its customer transactions, which are not reflected in these financial statements, to its clearing broker, who maintains the customer accounts and clears the customer transactions. Additionally, this clearing broker provides the clearing and depository operations for the Company's proprietary securities transactions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company is subject to concentrations of credit risk primarily in its contract fees receivable. Contract fees receivable amounted to \$47,078 at December 31, 2012 and are included in other assets. As of December 31, 2012, one customer accounted for eighty percent of total contract fees receivable.

NOTE 5 – CONTINGENCIES AND COMMITMENTS

In some instances, the Company can be held liable for trades that have not been closed by certain company representatives. However, management is unaware of any such trades and believes the likelihood of such an occurrence is remote, and accordingly, no provision has been recorded in these financial statements.

NOTE 6 – NET CAPITAL REQUIREMENT

As a registered broker-dealer, the Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1.

At December 31, 2012, the Company had net capital of \$99,105, which exceeded the minimum net capital requirements by \$92,668. The Company's ratio of aggregate indebtedness to net capital was 0.97 to 1 at December 31, 2012.

NOTE 7 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through February 20, 2013, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2012

JBS LIBERTY SECURITIES, INC.
SCHEDULE I – COMPUTATION OF NET CAPITAL UNDER
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
As of December 31, 2012

Net Capital	
Total stockholder's equity	\$ 241,421
Deductions and/or charges:	
Nonallowable assets:	
Goodwill	(78,750)
Other assets and intercompany receivables	(70,666)
Allowable credits - Deferred income taxes payable	<u>7,100</u>
Net capital	<u>\$ 99,105</u>
 Aggregate Indebtedness	
Items included in the statement of financial condition:	
Accounts payable, accrued expenses, and income taxes payable	\$ 72,828
Commissions payable	<u>23,735</u>
Aggregate indebtedness	<u>\$ 96,563</u>
 Computation of Basic Net Capital Requirements	
6-2/3% of aggregate indebtedness	<u>\$ 6,437</u>
Minimum Net Capital Requirement	<u>\$ 5,000</u>
Net Capital Requirement	<u>\$ 6,437</u>
Excess Net Capital	<u>\$ 92,668</u>
Ratio: Aggregate Indebtedness to Net Capital	<u>97.43%</u>
Excess Net Capital at 1000%	<u>\$ 89,449</u>
 Reconciliation with Company's Computation (included in Part II of Form X-17A-5 as of December 31, 2012)	
Net capital as reported in Company's Part II (unaudited) FOCUS Report	\$ 150,245
Audit adjustment for income taxes payable	<u>(51,140)</u>
Net capital per above	<u>\$ 99,105</u>

**FAULKNER AND THOMPSON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS**

ROBERT E. FAULKNER
T. DALE THOMPSON

226 NORTH PARK DRIVE, SUITE 110
POST OFFICE BOX 2456
ROCK HILL, SOUTH CAROLINA 29732
TELEPHONE: 803-324-3160
FACSIMILE: 803-324-2767

NORTH CAROLINA:
10800 SIKES PLACE, SUITE 300
CHARLOTTE, NORTH CAROLINA 28277
TELEPHONE: 704-541-6180
FACSIMILE: 704-846-3103

CERTIFIED IN S.C. AND N.C.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5**

To the Stockholder of
JBS Liberty Securities, Inc.

In planning and performing our audit of the financial statements of JBS Liberty Securities, Inc. (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 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 the 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 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 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.

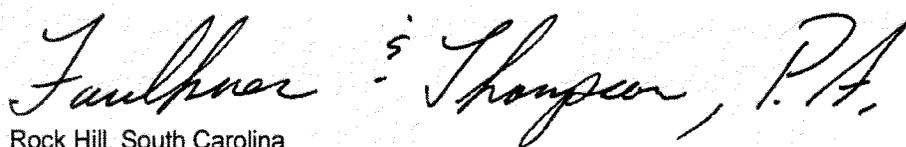
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a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

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, the Financial Industry Regulatory Authority, 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.



Rock Hill, South Carolina
February 20, 2013