

KA 3/7

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

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



13030410

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

Mail Processing  
Section

MAR 01 2013

SEC FILE NUMBER  
8- 51580

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 <sup>Washington DC</sup> 405

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: DaVinci Capital Management, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

801 Cambridge Street

(No. and Street)

Cambridge

MA

02141

(City)

(State)

(Zip Code)

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

James J. McSweeney

(617) 354-0866 ext 16

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Samet & Company, PC

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

1330 Boylston Street

Chestnut Hill

MA

02467

(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)

00  
3/9/13

OATH OR AFFIRMATION

I, James J. McSweeney, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DaVinci Capital Management, 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:

Signature
President
Title

James F. Toohy Jr.
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).



## **TABLE OF CONTENTS**

|  |         |
|--|---------|
| INDEPENDENT AUDITORS' REPORT   | 1 - 2   |
| FINANCIAL STATEMENTS   |         |
| Statement of Financial Condition                                       | 3       |
| Statement of Operations  | 4       |
| Statement of Comprehensive Income (Loss)                               | 5       |
| Statement of Changes in Stockholder's Equity                           | 6       |
| Statement of Cash Flows  | 7       |
| Notes to Financial Statements  | 8 - 12  |
| SUPPLEMENTAL SCHEDULES   |         |
| Independent Auditors' Report on Supplementary Information              | 13      |
| Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1 | 14      |
| Supplementary Report of Independent Auditors                           | 15 - 16 |



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholder of  
DaVinci Capital Management, Inc.

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

We have audited the accompanying statement of financial condition of DaVinci Capital Management, Inc. (a Delaware corporation, the "Company") as of December 31, 2012, and the related statements of operations, comprehensive income (loss), 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.



**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DaVinci Capital Management, Inc. 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.

*Samuel J. Conroy PC*

Chestnut Hill, Massachusetts  
February 25, 2013



DAVINCI CAPITAL MANAGEMENT, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2012

ASSETS

|   |    |                |
|---|----|----------------|
| Cash                                    | \$ | 90,842         |
| Receivables from clearing organizations |    | 8,637          |
| Deposits with clearing organization     |    | 28,016         |
| Other trade receivables                 |    | 4,302          |
| Prepaid expenses                        |    | 11,289         |
| Securities owned                        |    | 22,491         |
| Property and equipment, net             |    | 16,249         |
| Due from related party                  |    | <u>6,000</u>   |
|   | \$ | <u>187,826</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

|  |    |                |
|--|----|----------------|
| Accounts payable and accrued expenses  | \$ | <u>46,519</u>  |
| Stockholder's equity:  |    |                |
| Common stock, no par value,<br>Authorized 10,000 class A voting shares and<br>10,000 class B non-voting shares;<br>issued and outstanding 900 class A shares |    | 18,000         |
| Additional paid-in capital   |    | 723,606        |
| Accumulated deficit  |    | (596,840)      |
| Accumulated other comprehensive loss   |    | <u>(3,459)</u> |
|  |    | <u>141,307</u> |
|  | \$ | <u>187,826</u> |



DAVINCI CAPITAL MANAGEMENT, INC.

**STATEMENT OF OPERATIONS**

**Year Ended December 31, 2012**

|                               |                   |
|-------------------------------|-------------------|
| Revenues:                     |                   |
| Commission income             | \$ 679,444        |
| Financial planning income     | 2,847             |
| Interest and dividend income  | 292               |
| Miscellaneous income          | 3,045             |
| Referral fee income           | <u>156,499</u>    |
|                               | <u>842,127</u>    |
| Operating expenses:           |                   |
| Clearing charges              | 16,589            |
| Commissions                   | 601,579           |
| Computer expenses             | 12,222            |
| Depreciation and amortization | 7,697             |
| Dues and subscriptions        | 995               |
| Equipment rental              | 2,745             |
| Maintenance agreement         | 2,000             |
| Office expense                | 9,435             |
| Office rent                   | 30,000            |
| Payroll taxes                 | 6,730             |
| Professional fees             | 9,725             |
| Regulatory expenses           | 48,286            |
| Salaries                      | 96,154            |
| Taxes - other                 | 791               |
| Telephone                     | 3,766             |
| Utilities                     | <u>1,065</u>      |
|                               | <u>849,779</u>    |
| Net loss                      | \$ <u>(7,652)</u> |



DAVINCI CAPITAL MANAGEMENT, INC.

**STATEMENT OF COMPREHENSIVE INCOME (LOSS)**

**Year Ended December 31, 2012**

|                                    |    |                |
|------------------------------------|----|----------------|
| Net loss                           | \$ | (7,652)        |
| Other comprehensive income (loss): |    |                |
| Unrealized gain on investments     |    | <u>432</u>     |
| Comprehensive income (loss)        | \$ | <u>(7,220)</u> |





DAVINCI CAPITAL MANAGEMENT, INC.

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

**Year Ended December 31, 2012**

|   | Class A<br><u>Common Stock</u> |                  | Additional<br>Paid-In<br><u>Capital</u> | Accumulated<br><u>Deficit</u> | Accumulated<br>Other<br>Comprehensive<br><u>Loss</u> | <u>Total</u>      |
|---|--------------------------------|------------------|---|-------------------------------|--|-------------------|
|   | <u>Shares</u>                  | <u>Amount</u>    |   |                               |  |                   |
| Balance, January 1, 2012                            | 900                            | \$ 18,000        | \$ 723,606                              | \$ (589,188)                  | \$ (3,891)   | \$ 148,527        |
| Net loss  | -                              | -                | -                                       | (7,652)                       | -  | (7,652)           |
| Unrealized holding gain on<br>marketable securities | -                              | -                | -                                       | -                             | 432  | 432               |
| Balance, December 31, 2012                          | <u>900</u>                     | <u>\$ 18,000</u> | <u>\$ 723,606</u>                       | <u>\$ (596,840)</u>           | <u>\$ (3,459)</u>                                    | <u>\$ 141,307</u> |



DAVINCI CAPITAL MANAGEMENT, INC.

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2012**

|  |                  |
|--|------------------|
| Cash flows from operating activities:  |                  |
| Net loss   | \$ (7,652)       |
| Adjustments to reconcile net loss to net cash used for operating activities: |                  |
| Depreciation and amortization  | 7,697            |
| Changes in operating assets and liabilities:                                 |                  |
| Receivables from clearing organizations                                      | 3,017            |
| Deposits with clearing organization  | (2)              |
| Other trade receivables  | (4,065)          |
| Prepaid expenses   | (11,289)         |
| Accounts payable and accrued expenses  | <u>2,927</u>     |
| Net cash used for operating activities                                       | (9,367)          |
| Cash flows from financing activities:  |                  |
| Advance to related party   | <u>(6,000)</u>   |
| Net decrease in cash during the year   | (15,367)         |
| Cash, beginning of year  | <u>106,209</u>   |
| Cash, end of year  | \$ <u>90,842</u> |
| Supplemental cash flow information:  |                  |
| Cash paid during the year for:   |                  |
| Corporate taxes  | \$ <u>565</u>    |



DAVINCI CAPITAL MANAGEMENT, INC.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

Note 1

**Organization and nature of business**

DaVinci Capital Management, Inc. (the "Company") was incorporated in December 1998 and is a Delaware Corporation that is wholly owned by Airgead LLC ("Airgead"). The Company operates as a broker-dealer and registered investment advisor in the New England area. The Company does business on a fully disclosed basis and, therefore, does not hold or maintain any customer accounts. The Company is a registered broker under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

Note 2

**Summary of significant accounting policies**

**Revenue recognition**

Revenue is recognized when commissions and other income are earned and the amounts can be reasonably estimated.

**Receivables from broker-dealers and clearing organizations**

Receivables from broker-dealers and clearing organizations consist of commissions due under normal trade terms. The Company provides an allowance for doubtful collections which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. At December 31, 2012 there was no reserve for uncollectible receivables.

**Marketable securities**

The Company accounts for its marketable securities at fair value, as the Company has categorized them as available-for-sale securities. Accordingly, unrealized holding gains and losses are excluded from earnings and reported in other comprehensive income, which is a separate component of stockholders' equity. Realized gains or losses are computed based on specific identification of securities that are sold and are included in earnings.

**Property and equipment**

Property and equipment is stated at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the related assets. Normal repair and maintenance costs are expensed as incurred.

**Income taxes**

The Company accounts for income taxes using an asset and liability approach. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income.



DAVINCI CAPITAL MANAGEMENT, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2012

Note 2

**Summary of significant accounting policies (continued)**

**Income taxes (continued)**

Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense or benefit from income taxes is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets or liabilities.

**Income tax positions**

The Financial Accounting Standards Board ("FASB") issued a standard that clarifies the accounting and recognition of income tax positions taken or expected to be taken in the Company's income tax returns. The Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. If the Company incurs interest or penalties as a result of unrecognized tax benefits the policy is to classify interest accrued with interest expense and penalties thereon with operating expenses. The Company's income tax filings are subject to audit by various taxing authorities. The Company's federal and state income tax returns are generally open for examination for the past three years.

**Use of estimates**

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

**Fair value**

Accounting standards require expanded disclosures to provide information about the extent to which fair value is used to measure certain assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. The Company's financial assets and liabilities reflected in the financial statements at fair value include securities owned (see Note 4 and 8).

**Subsequent events**

The Company has evaluated subsequent events through February 25, 2013, which is the date the financial statements were available to be issued.



DAVINCI CAPITAL MANAGEMENT, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2012

Note 3 **Deposits with clearing organization**

The Company contracted with National Financial Services, Inc. ("NFS") to act as their clearing agent. In connection with this agreement, NFS has required the Company to maintain a deposit of \$25,000 which is held in an interest bearing account and is included in deposits with clearing organizations on the accompanying statement of financial condition.

Note 4 **Securities owned**

The Company owns common stock in the NASDAQ Stock Market, Inc. These securities are deemed to be readily marketable. The estimated fair value at December 31, 2012 was \$22,491, as determined by quoted market prices. The cost of the securities was \$25,950.

Note 5 **Property and equipment**

Property and equipment consisted of the following at December 31, 2012:

|  | <u>Estimated<br/>Useful Lives</u> |                 |
|--|-----------------------------------|-----------------|
| Computer equipment                             | 3 years                           | \$49,531        |
| Leasehold improvements                         | Life of lease                     | <u>4,056</u>    |
|  |                                   | 53,587          |
| Less accumulated depreciation and amortization |                                   | <u>37,338</u>   |
|  |                                   | <u>\$16,249</u> |

Depreciation and amortization expense for the year ended December 31, 2012 was \$7,697.

Note 6 **Income taxes**

The deferred tax asset, and related valuation allowance, includes the following components at December 31, 2012:

|                        | <u>Federal</u>  | <u>State</u>    | <u>Total</u>    |
|------------------------|-----------------|-----------------|-----------------|
| Deferred tax asset     | \$ 55,000       | \$ 15,000       | \$ 70,000       |
| Valuation allowance    | <u>(55,000)</u> | <u>(15,000)</u> | <u>(70,000)</u> |
| Net deferred tax asset | \$ <u>-</u>     | \$ <u>-</u>     | \$ <u>-</u>     |



DAVINCI CAPITAL MANAGEMENT, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2012

Note 6 **Income taxes (continued)**

The Company recognizes deferred taxes for operating losses that are available to offset future federal and state income taxes. The Company has available net operating loss carryforwards of approximately \$160,000 for federal and Massachusetts state tax purposes. The federal and state net operating losses can be used to offset future taxable income and expire at various dates through December 2032 and December 2017, respectively.

The valuation allowance was established to reduce the deferred tax asset to the amount that will more likely than not be realized. This reduction is necessary due to uncertainty as to the Company's ability to utilize all of its net operating loss carryforwards before they expire. The change in the valuation allowance for the year ended December 31, 2012 was an increase of \$3,000.

Note 7 **Net capital requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital balance and requires that the Company's aggregate indebtedness to net capital ratio, as defined, shall not exceed 15 to 1.

At December 31, 2012 the Company's net capital was \$97,711, which was \$92,711 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital was 48%.

Note 8 **Fair value measurements**

Accounting standards require all financial assets and liabilities be recognized or disclosed in the financial statements on a recurring basis (at least annually). The standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value

The standards describe three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.



**DAVINCI CAPITAL MANAGEMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012**

**Note 8**      **Fair value measurements (continued)**

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for the assets or liabilities.

Level 3 – Unobservable inputs for the assets or liabilities. These inputs reflect the Company’s assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table summarizes the valuation of the Company’s financial assets at December 31, 2012:

| <u>Financial Asset:</u> | December 31,<br><u>2012</u> | <u>Level 1</u>  | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------|-----------------------------|-----------------|----------------|----------------|
| Equity securities       | <u>\$22,491</u>             | <u>\$22,491</u> | <u>\$ -</u>    | <u>\$ -</u>    |
| Total                   | <u>\$22,491</u>             | <u>\$22,491</u> | <u>\$ -</u>    | <u>\$ -</u>    |

The equity securities measured using Level 1 inputs are valued based on readily available market prices.

**Note 9**      **Related party transactions**

The Company is wholly owned by Airgead, whose majority shareholder controls Comprehensive Insurance Providers (“CIP”). The Company received \$156,499 of referral fee income from CIP during the year ended December 31, 2012.

The Company leases its office space as a tenant at will from CIP Real Estate, LLC whose majority member also controls CIP. Rent expense was \$30,000 for the year ended December 31, 2012.

**Note 10**      **Reserve requirement pursuant to Rule 15c3-3**

The Company is exempt from the provisions of Securities and Exchange Rule 15c3-3 under the exemptive provision under paragraph (k)(2)(ii) as all transactions with and for customers are cleared by other brokers on a fully disclosed basis.



*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION  
REQUIRED BY RULE 17a-5 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

To the Board of Directors and Stockholder of  
DaVinci Capital Management, Inc.

We have audited the financial statements of DaVinci Capital Management, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated February 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained on page 14, required by Rule 17a-5 under the Securities Exchange Act of 1934, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on page 14 is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Samet &amp; Company PC".

Chestnut Hill, Massachusetts  
February 25, 2013





DAVINCI CAPITAL MANAGEMENT, INC.

**COMPUTATION OF NET CAPITAL PURSUANT TO**  
**UNIFORM NET CAPITAL RULE 15c3-1**  
**Year Ended December 31, 2012**

|  |                 |                 |
|--|-----------------|-----------------|
| Net capital  |                 |                 |
| Stockholder's equity   | \$              | 141,307         |
| Deductions and charges:  |                 |                 |
| Nonallowable assets:   |                 |                 |
| Other trade receivables  | (4,302)         |                 |
| Prepaid expenses   | (11,289)        |                 |
| Due from related party   | (6,000)         |                 |
| Property and equipment, net  | <u>(16,249)</u> | <u>(37,840)</u> |
| Net capital before haircuts on securities positions  |                 | 103,467         |
| Haircuts on securities:  |                 |                 |
| Trading and investing securities   | (3,934)         |                 |
| Undue concentration  | <u>(1,822)</u>  | <u>(5,756)</u>  |
| Net capital  | \$              | <u>97,711</u>   |
| Aggregate indebtedness   |                 |                 |
| Accounts payable and accrued expenses  | \$              | <u>46,519</u>   |
| Computation of basic net capital requirement   |                 |                 |
| Minimum net capital required   | \$              | 3,103           |
| Minimum dollar net capital required  |                 | 5,000           |
| Net capital requirement  |                 | 5,000           |
| Excess net capital   | \$              | <u>92,711</u>   |
| Excess net capital at 1000%  | \$              | <u>93,059</u>   |
| Percentage of aggregate indebtedness to net capital  |                 | 48%             |
| <b>Reconciliation with Company's computation (included<br/>in part II of form X-17A-5 as of December 31, 2012)</b> |                 |                 |
| Net capital, as reported in Company's part II (unaudited) focus report   | \$              | 88,322          |
| Changes in stockholder's equity:   |                 |                 |
| Cash   |                 | 3               |
| Accounts payable and accrued expenses  |                 | 9,248           |
| Undue concentration  |                 | <u>138</u>      |
| Net capital per above  | \$              | <u>97,711</u>   |



**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A  
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Board of Directors and Stockholder  
of DaVinci Capital Management, Inc.

In planning and performing our audit of the financial statements of DaVinci Capital Management, 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 17(a)-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 practice 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.



**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A  
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3  
(CONTINUED)**

Because of the 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 a material weakness. 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 use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority and other regulatory agencies which 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.

*Samuel J. Comply PC*

Chestnut Hill, Massachusetts  
February 25, 2013



**TABLE OF CONTENTS**

Page No.

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED UPON PROCEDURES

1 - 2



**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
DaVinci Capital Management, Inc.  
Cambridge, MA

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2012, which were agreed to by DaVinci Capital Management, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating DaVinci Capital Management, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). DaVinci Capital Management, Inc.'s management is responsible for the DaVinci Capital Management, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records (cancelled checks) noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2012, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2012, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

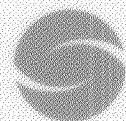


We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Samet & Company PC*

Chestnut Hill, Massachusetts  
February 25, 2013



SAMET

**DAVINCI CAPITAL MANAGEMENT, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2012**