



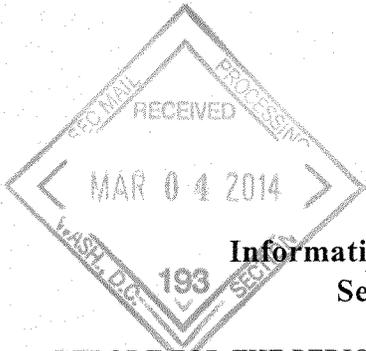
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OMB APPROVAL	
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Estimated average burden hours per response.....	12.00

AB 3/20

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

SEC FILE NUMBER
8- 66978



FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 01/01/13 AND ENDING 12/31/13  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Plan B Investments, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

4100 W. Alameda Avenue, Suite 206

(No. and Street)

Burbank

(City)

CA

(State)

91505

(Zip Code)

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

Martin P. O'Malley, Jr.

818 859-7300

(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

Joseph Yafeh, CPA

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

11300 West Olympic Blvd., #875

(Address)

Los Angeles

(City)

CA

(State)

90064

**Attidavit**  
Jonathan D. Kramer, Notary Public  
SEE ATTACHED  
NOTARY CERTIFICATE

CHECK ONE:

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

FEB 28 2014

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)

AB 3/26

OATH OR AFFIRMATION

I, Martin P. O'Malley, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Plan B Investments, Inc., as of December 31, 2013, 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:

None

M + P O'Malley  
Signature  
President  
Title

\_\_\_\_\_  
Notary Public

**Affidavit**  
SEE ATTACHED  
NOTARY CERTIFICATE

FEB 28 2014

Jonathan D. Kramer, Notary Public

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

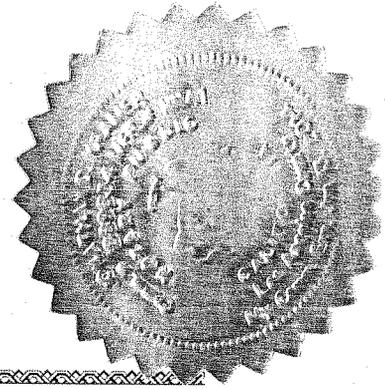
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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).

FEB 28 2014

**JURAT WITH AFFIANT STATEMENT**  
Jonathan D. Kramer, Notary Public

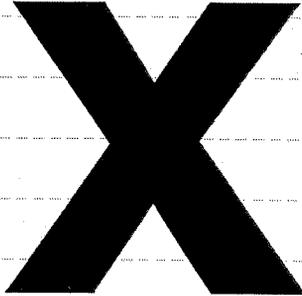
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On Original Document**



**CALIFORNIA JURAT WITH AFFIANT STATEMENT**  
GOVERNMENT CODE § 8202

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], *not* Notary)

1 \_\_\_\_\_  
 2 \_\_\_\_\_  
 3 \_\_\_\_\_  
 4 \_\_\_\_\_  
 5 \_\_\_\_\_  
 6 \_\_\_\_\_



Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of Los Angeles

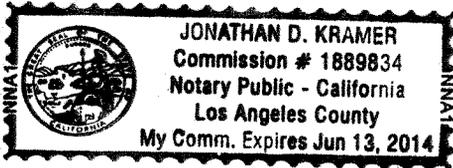
Subscribed and sworn to (or affirmed) before me

on this 28 day of February, 2014,  
by \_\_\_\_\_  
Date Month Year

(1) Martin Phillip Smalley Jr

(2) \_\_\_\_\_

Name(s) of Signer(s)



proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

**Jonathan D. Kramer, Notary Public**

Place Notary Seal Above

Signature \_\_\_\_\_  
Signature of Notary Public

**OPTIONAL**

*Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.*

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Plan B Investments, Inc.**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended December 31, 2013**

**Joseph Yafeh CPA, Inc.**  
*A Professional Accounting Corporation*  
11300 W. Olympic Blvd., Suite 875  
Los Angeles CA 90064  
310-477-8150 ~ Fax 310-477-8152  
[joeyafeh@cpasocal.com](mailto:joeyafeh@cpasocal.com)  
PCAOB # 3346

Independent Auditor's Report

Board of Directors  
Plan B Investments, Inc.  
Burbank, California

**Report on the Financial Statements**

I have audited the accompanying financial statements of Plan B Investments, Inc. (the Company) which comprise the statement of financial condition as of December 31, 2013 and the related statements of income, changes in shareholder'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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

Board of Directors  
Plan B Investments, Inc.  
Page 2

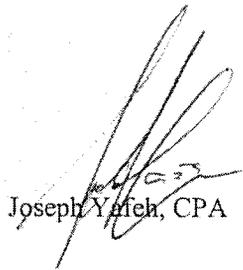
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plan B Investments, Inc. as of December 31, 2013, and the results of its operations and its changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and 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, II, and III 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 my opinion, the information in Schedules I, II, and III is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Joseph Yafeh, CPA

Los Angeles, California  
February 20, 2014

**Plan B Investments, Inc.**  
**Statement of Financial Condition**  
**December 31, 2013**

**Assets**

Cash	\$ 46,085
Accounts receivable	52,765
Property and equipment, at cost, net of Accumulated depreciation of \$15,104	4,301
Deposit	<u>2,512</u>
<b>Total Assets</b>	<b><u>\$ 105,663</u></b>

**Liabilities and Shareholder's Equity**

**Liabilities**

Accounts payable and accrued expenses	\$ <u>24,516</u>
<b>Total liabilities</b>	<u>24,516</u>

**Shareholder's equity**

Common stock -authorized, issued and outstanding 1,000 shares without value per share	25,000
Retained earnings	<u>56,147</u>
<b>Total shareholder's equity</b>	<u>81,147</u>
<b>Total liabilities and shareholder's equity</b>	<b><u>\$ 105,663</u></b>

See Accompanying Notes to Financial Statements

**Plan B Investments, Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2013**

Revenues	
Commission income	\$ 100,620
RIA income	218,571
Other income	<u>0</u>
Total revenue	<u>319,191</u>
Expenses	
Advertising/Promotions	\$ 60,747
Auto Expense	12,719
Bank Service Charges	259
Consulting Fees	4,266
Depreciation	1,168
Dues and Subscriptions	1,290
Insurance	10,654
License & Permits	2,735
Office Supplies & Expenses	26,298
Payroll Expense	81,355
Payroll Tax Expense	6,683
Postage & Delivery	3,249
Professional Fees	16,401
Rent	34,520
Telephone	6,381
Travel & Entertainment	10,417
Miscellaneous	<u>3,295</u>
Total expenses	<u>\$282,437</u>
Net income before income tax provision	36,754
Income tax provision	<u>( 800)</u>
Net Income	<u>\$35,954</u>

See Accompanying Notes to Financial Statements

**Plan B Investments, Inc.**  
**Statement of Changes in Shareholder's Equity**  
**For the Year Ended December 31, 2013**

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Equity</u>
Balance, December 31, 2012	\$25,000	\$ 0	\$ 20,193	\$ 45,193
Net Income	<u>          </u>	<u>          </u>	<u>35,954</u>	<u>\$ 35,954</u>
Balance, December 31, 2013	<u>\$25,000</u>	<u>\$ 0</u>	<u>\$ 56,147</u>	<u>\$ 81,147</u>

See Accompanying Notes to Financial Statements

**Plan B Investments, Inc.**  
**Statement of Changes in Financial Condition**  
**For the Year Ended December 31, 2013**

Cash flows from operating activities:	
Net (loss)	\$35,954
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	1,168
Accounts receivable	(5,639)
Accounts payable and accrued expenses	(17,315)
Net cash provided by operating activities	<u>\$ 14,168</u>
Cash flows from investing activities:	--
Computers	(1,964)
Cash flows from financing activities:	--
Net increase in cash	12,204
Cash at beginning of year	<u>33,881</u>
Cash at end of year	<u>\$ 46,085</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Cash paid for income taxes	<u>\$ 800</u>
Interest income	<u>\$ 0</u>

See Accompanying Notes to Financial Statements

**Plan B Investments, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1 – Organization and Nature of Business**

Plan B investments, Inc. (the “Company”) was incorporated in the State of California on September 23, 2004. On October 28, 2005, the Company became a registered broker-dealer in securities under the Securities Exchange Act of 1934, as amended, to provide investment advisory services, and to sell mutual funds, and variable annuities.

The Company became registered as a broker-dealer with the Securities and Exchange Commission (“SEC”) and is a member of the National Association of Securities Dealers (“NASD”). The NASD and NYSE Member Regulation consolidated in 2007 for form the Financial Industry Regulatory Agency (“FINRA”). The Company is headquartered in Burbank, California.

**Note 2 – Significant Accounting Policies**

**Basis of Presentation** – The Company conducts the following types of business as a securities broker-dealer, which comprises several classes of services, including:

- Mutual fund retailer
- Broker or dealer selling variable life insurance or annuities
- Investment advisory services
- Private placements of securities

Under its membership agreement with FINRA and pursuant to Rule 15c3 (k) (2) (i), the Company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers. Accordingly, the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

**Use of Estimates** - The preparation of 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Securities Owned** – Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis.

**Revenue Recognition** - The Company recognizes revenue upon rendering of services. Advisory fees are billed either at the beginning or end of each quarter. A portion is either deferred or accrued depending on the timing of the billing.

**Plan B Investments, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 2 – Significant Accounting Policies (continued)**

**Income Taxes** - The Company has elected to be taxed under the provisions of subchapter S of the Internal Revenue Code and comparable State of California statutes wherein the Company's taxable federal and state income is taxed directly to the shareholder. Additionally, the state of California imposes a 1-1/2% state franchise tax on the corporation's taxable income.

The accounting principles generally accepted in the United States of America provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Company in its Federal and State organization tax returns are more likely than not to be sustained upon examination. The Company is subject to examinations by U.S. Federal and State tax authorities from 2010 to the present, generally for three years after they are filed.

**Depreciation** – Depreciation is provided on a straight-line basis using estimated useful lives of five to ten years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

**Statement of Changes in Financial Condition** – The Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months that are not held for sale in the ordinary course of business.

**Note 3 - Fair Value**

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

**Plan B Investments, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 3 - Fair Value (continued)**

- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2013.

**Fair Value Measurements on a Recurring Basis**  
**As of December 31, 2013**

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and Securities	\$46,085	\$ 0	\$ 0

**Note 4 – Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 5c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day by day, but on December 31, 2013, the Company had net capital of \$ 74,334 which was \$ 69,334 in excess of its required net capital requirement of \$5,000. The Company's percentage of aggregate indebtedness of \$24,516 to net capital was 33%.

**Note 5 -- Income Taxes**

As discussed in the Note 2 - Significant Accounting Policies the company is subject to a 1.5% tax on net income over the minimum tax of \$800. At December 31, 2013, the Company recorded the minimum franchise tax of \$800.

**Note 6 – Operating Lease Commitments**

Future minimum lease payments under the lease are as follows:

	Amount
2014	28,771
2015	29,633
2016	<u>17,584</u>
Total	<u>\$75,988</u>

Total rent expense for the location for year 2013 was \$ 30,873.

**Plan B Investments, Inc.**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 7– Exemption from the SEC Rule 15c3-3**

Rule 15c3-3(k)(2)(i) provides an exemption from the SEC's so-called "customer protection rule" for firms that: carry no margin accounts; promptly transmit all customer funds and deliver all securities received in connection with their broker-dealer activities; do not otherwise hold funds or securities for, or owe money or securities to, customers; and effectuate all financial transactions with customers through one or more bank accounts designated as "Special Account for the Exclusive Benefit of Customers" of the Company.

**Note 8 – SIPC Supplementary Report Requirement**

The Company is not a member of SIPC. Therefore, no report is required.

**Note 9 – Subsequent Events**

Management has reviewed the results of operations for the period of time from its year end December 31, 2013 through February 20, 2014, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Plan B Investments, Inc.**  
**Schedule I**  
**Computation of Net Capital Requirements Pursuant**  
**To Rule 15c3-1**  
**December 31, 2013**

Computation of Net Capital	
Total ownership equity from statement of financial condition	\$ 81,147
Less: Nonallowable assets (page 12)	<u>( 6,813)</u>
Net Capital	<u>\$ 74,334</u>
Computation of Net Capital Requirements	
Minimum net aggregate indebtedness- 6-2/3% of net aggregate indebtedness	<u>\$ 1,634</u>
Minimum dollar net capital required	<u>\$ 5,000</u>
Net Capital required (greater of above amounts)	<u>\$ 5,000</u>
Excess Capital	<u>\$ 69,334</u>
Excess net capital at 1000% (net capital less 10% of aggregate indebtedness) or 120% of minimum net capital	<u>\$ 71,882</u>
Computation of Aggregate Indebtedness	
Total liabilities	<u>\$ 24,516</u>
Percentage of aggregate indebtedness to net capital	<u>33 %</u>
Percentage of debt to debt-equity to total computed in accordance with Rule 15c 3-1(d)	<u>NA</u>
Reconciliation	
Unaudited net capital	\$ 75,344
Audit Adjustments	<u>(\$ 1,010)</u>
Audited Net Capital	<u>\$ 74,334</u>

See Accompanying Notes to Financial Statements

**Plan B Investments, Inc.**  
**Schedule I**  
**Computation of Net Capital Requirements Pursuant**  
**To Rule 15c3-1**  
**December 31, 2013**

Nonallowable Assets:	
Deposit	\$ 2,512
Property and equipment	<u>4,301</u>
Total	<u>\$ 6,813</u>

See Accompanying Notes to Financial Statements

**Plan B Investments, Inc.**  
**Schedule II – Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2013**

A computation of reserve requirement is not applicable to Plan B Investments, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (i).

See report of independent auditor

**Plan B Investments, Inc.**  
**Schedule III – Information Relating to Possession or Control**  
**Requirements under Rule 15c3-3**  
**As of December 31, 2013**

Information relating to possession or control requirements is not applicable to Plan B Investments, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (i).

See report of independent auditor

**Joseph Yafeh CPA, Inc.**  
*A Professional Accounting Corporation*  
**11300 W. Olympic Blvd., Suite 875**  
**Los Angeles CA 90064**  
**310-477-8150 ~ Fax 310-477-8152**  
[joevafeh@cpasocal.com](mailto:joevafeh@cpasocal.com)  
PCAOB # 3346

Part II

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

Board of Directors  
Plan B Investments, Inc.  
Burbank, California

In planning and performing my audit of the financial statements of Plan B Investments, Inc. (the Company), as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Company's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I 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), I 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 I 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, I 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 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* over financial reporting 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 misstatement 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.

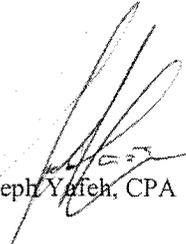
The Company is a one person owner who solely records the financial transactions and prepares the financial statements. The Company has no other employees. Therefore a control deficiency is possible but a material weakness unlikely.

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.

My 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. I did not identify any deficiencies in internal control and control activities for safeguarding securities that I consider to be material weaknesses, as defined previously.

I 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 my study, I believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013 to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, and FINRA, 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.



Joseph Yafeh, CPA

Los Angeles, California  
February 20, 2014