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

SEC  
Mail Processing  
Section  
FEB 26 2019

| SEC FILE NUMBER |
|-----------------|
| 8-45660         |

FACING PAGE

Washington DC

**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 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **BALLEW INVESTMENTS, INC.**

| OFFICIAL USE ONLY |
|-------------------|
| FIRM I.D. NO.     |

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

**4800 I-55 NORTH, SUITE 21**

(No. and Street)

**JACKSON**

(City)

**MS**

(State)

**39211**

(Zip Code)

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

C. BROOKS MOSLEY

601-368-3500

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**HORNE, LLP**

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

**1020 Highland Colony Pkwy., Ste. 400 Ridgeland**

(Address)

(City)

**MS**

(State)

**39157**

(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)

RMS

OATH OR AFFIRMATION

I, C. BROOKS MOSLEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BALLEW INVESTMENTS, INC.

of 12/31, 2018, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



*Vickie Rush Hester*  
Notary Public

*C Brooks Mosley*  
Signature

President/Financial Operations Officer  
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- (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).

SEC  
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Section  
FEB 26 2019  
Washington DC  
410

**Ballew Investments, Inc.**

**Financial Statements and**

**Reports of Independent Registered Public Accounting Firm**

**Year Ended**

**December 31, 2018**

# Ballew Investments, Inc.

December 31, 2018

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Board of Directors  
Ballew Investments, Inc.  
Jackson, Mississippi

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Ballew Investments, Inc. (the "Company") as of December 31, 2018 and the related statement of operations, changes in stockholders' equity and cash flows for the year then ended and the related notes to the financial statements (collectively, the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 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.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Supplemental Information

The supplementary information contained in Schedule I – Computation of Net Capital Requirement and Schedule II – Computation for the Determination of the Reserve Requirements Under SEC Rule 15c3-3 and Information Relating to Possession or Control Requirements Under SEC Rule 15c3-3, (the "Supplemental Information") has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The Supplemental Information is the responsibility of the Company's management. Our audit procedures included determining whether the Supplemental Information reconciles to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the Supplemental Information. In forming our opinion on the Supplemental Information, we evaluated whether the Supplemental Information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplementary information contained in the Supplemental Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company's auditor since 2016.

A handwritten signature in black ink that reads "HORNELL LLP". The letters are stylized and connected, with a prominent "H" and "L".

Ridgeland, Mississippi  
February 18, 2019

**Ballew Investments, Inc.**  
**Statement of Financial Condition**  
**December 31, 2018**

**Assets**

|                           |                   |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 115,948        |
| Commissions receivable    | 32,073            |
| Prepaid expenses          | 4,450             |
| Due from affiliate        | <u>9,701</u>      |
|                           | <u>\$ 162,172</u> |

**Liabilities and Stockholder's Equity**

**Liabilities**

|                                       |           |
|---------------------------------------|-----------|
| Accounts payable and accrued expenses | \$ 16,014 |
|---------------------------------------|-----------|

**Stockholder's Equity**

|  |                   |
|--|-------------------|
| Common stock, \$.01 par value          |                   |
| Authorized - 1,000,000 shares          |                   |
| Issued and outstanding - 10,000 shares | 100               |
| Additional paid-in capital             | 184,900           |
| Accumulated deficit                    | <u>(38,842)</u>   |
|  | <u>146,158</u>    |
|  | <u>\$ 162,172</u> |

**Ballew Investments, Inc.**  
**Statement of Operations**  
**Year ended December 31, 2018**

**Revenues**

|                           |            |
|---------------------------|------------|
| Commission and fee income | \$ 239,163 |
| Interest income           | <u>264</u> |
|                           | 239,427    |

**Expenses**

|                            |                |
|----------------------------|----------------|
| Commissions                | 4,096          |
| Production compensation    | 87,336         |
| General and administrative | <u>187,352</u> |
|                            | <u>278,784</u> |

**Loss Before Income Taxes** (39,357)

**Income Tax Benefit** 9,701

**Net Loss** \$ (29,656)

**Ballew Investments, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**Year ended December 31, 2018**

|                                     | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Accumulated<br/>Deficit</b> | <b>Total<br/>Stockholder's<br/>Equity</b> |
|-------------------------------------|-------------------------|---|--------------------------------|---|
| <b>Balance at January 1, 2018</b>   | \$ 100                  | \$ 134,900                                | \$ (9,186)                     | \$ 125,814                                |
| Net loss                            | -                       | -   | (29,656)                       | (29,656)                                  |
| Capital contribution                | -                       | 50,000                                    | -                              | 50,000                                    |
| <b>Balance at December 31, 2018</b> | <b>\$ 100</b>           | <b>\$ 184,900</b>                         | <b>\$ (38,842)</b>             | <b>\$ 146,158</b>                         |

**Ballew Investments, Inc.**  
**Statement of Cash Flows**  
**Year ended December 31, 2018**

|   |                              |
|---|------------------------------|
| <b>Operating Activities</b>                             |                              |
| Net loss  | \$ (29,656)                  |
| Changes in operating assets and liabilities             |                              |
| Commissions receivable                                  | 3,716                        |
| Accounts payable and accrued expenses                   | (43,041)                     |
| Deposit with clearing firm                              | 25,000                       |
| Due from affiliate                                      | <u>19,572</u>                |
| Net cash used in operating activities                   | (24,409)                     |
| <br><b>Financing Activities</b>                         |                              |
| Capital contribution from affiliate                     | <u>50,000</u>                |
| Net cash provided by financing activities               | <u>50,000</u>                |
| <br><b>Increase in Cash and Cash Equivalents</b>        | <br>25,591                   |
| <br><b>Cash and Cash Equivalents, Beginning of Year</b> | <br><u>90,357</u>            |
| <br><b>Cash and Cash Equivalents, End of Year</b>       | <br><u><u>\$ 115,948</u></u> |
| <br><b>Supplemental Cash Flows Information</b>          |                              |
| Income tax credit received                              | <u><u>\$ 29,339</u></u>      |

# **Ballew Investments, Inc.**

## **Notes to Financial Statements**

**Year ended December 31, 2018**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

Ballew Investments, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company is located in Jackson, Mississippi and engages primarily in the business of selling variable life insurance, variable annuity products, mutual funds and securities traded on various exchanges. The Company has clients throughout the United States, the majority of which are located in the South and Southeast.

The Company is a wholly-owned subsidiary of Security Ballew, Inc. (Security Ballew). SB Holding Company, Inc. (SB Holding), a Mississippi Corporation, owns 100% of Security Ballew. The Company and SB Holding are under common management.

#### **Recognition of Commissions and Fee Income**

Commission income on variable life insurance and annuity products is recognized as revenue when due from the policy issuer. Commission income on securities transactions is recognized on the trade date.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

#### **Cash and Cash Equivalents**

Cash equivalents consist of funds held in a money market account.

At December 31, 2018, the Company's cash and money market accounts did not exceed the federally insured limits.

**Ballew Investments, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2018**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**  
**(continued)**

**Recent Accounting Pronouncement**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The Company will be required to adopt ASU No. 2014-09 as of January 1, 2019. The Company is currently evaluating the impact ASU No. 2014-09 will have on its financial condition, results of operations, and cash flows.

**Subsequent Events**

Subsequent events have been evaluated through February 18, 2019, which is the date the financial statements were issued. Management has determined that no subsequent event disclosures are required.

**Note 2: Net Capital Requirement**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregated indebtedness change daily. At December 31, 2018, the Company's aggregate indebtedness to net capital was 0.11 to 1.

The net capital requirement at December 31, 2018, follows:

|  |                   |
|--|-------------------|
| Minimum net capital required - greater of \$5,000,<br>or 6.67% of aggregate indebtedness | <u>\$ 5,000</u>   |
| Net capital computed using regulatory agency requirements                                | <u>\$ 146,158</u> |
| Excess net capital   | <u>\$ 141,158</u> |

**Ballew Investments, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2018**

**Note 3: Income Taxes**

The Company is included in the consolidated income tax return of SB Holding Company, Inc. The current and deferred income taxes are determined on the separate return basis, except for the treatment of net operating losses and other tax attributes which are characterized as realized or realizable by the Company when those tax attributes are realized or realizable at the consolidated return level.

The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015.

The benefit from income taxes for 2018 consists of the following.

|         |                 |
|---------|-----------------|
| Federal | \$ 7,883        |
| State   | <u>1,818</u>    |
|         | <u>\$ 9,701</u> |

**Note 4: Related Party Transactions**

As discussed in Note 1, the Company is a wholly-owned subsidiary of Security Ballew. The Company operates in consort with Security Ballew and other subsidiaries of Security Ballew to provide a wide range of financial services to its customers. As a result, certain services and expenses are shared among members of the group.

Pursuant to an expense allocation agreement between the Company and Security Ballew, the Company's financial statements reflect the allocation of costs incurred for occupancy, operations, administrative support and management salaries. The allocations are based on systematic methodologies that consider the number of employees and usage factors. For the year ended December 31, 2018, the Company recorded expenses totaling \$101,391 under this agreement, which is included in general and administrative expense in the accompanying statement of operations.

**Ballew Investments, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2018**

**Note 4: Related Party Transactions (continued)**

Security Ballew tracks compensation paid to the account executives on a company-specific basis and allocates the cost to the respective company. The Company recognized production compensation expense for 2018 of \$87,336, as a result of this allocation.

At December 31, 2018, the Company has a receivable from Security Ballew of \$9,701 relating to the Company's share of income taxes.

**Note 5: Commitments and Contingent Liabilities**

Management is not aware of any outstanding commitments or contingent liabilities.

**Ballew Investments, Inc.**

**Supplementary Information Required by the  
Securities and Exchange Commission (SEC) Rule 17a-5**

**December 31, 2018**

**Ballew Investments, Inc.**  
**Schedule I - Computation of Net Capital Requirement**  
**Under SEC Rule 15c3-1**  
**December 31, 2018**

**Net Capital**

|   |                    |
|---|--------------------|
| Total stockholder's equity from statement<br>of financial condition | \$ 146,158         |
| Other deductions  | <u>          -</u> |
| Net capital   | <u>\$ 146,158</u>  |

**Aggregate Indebtedness**

|   |                  |
|---|------------------|
| Total aggregate indebtedness from statement of<br>financial condition | <u>\$ 16,014</u> |
|---|------------------|

**Computation of Basic Net Capital Requirement**

|   |                 |
|---|-----------------|
| Minimum net capital required - greater of \$5,000<br>or 6.67% of aggregate indebtedness | <u>\$ 5,000</u> |
|---|-----------------|

**Excess Net Capital** \$ 141,158

**Ratio: Aggregate Indebtedness to Net Capital** 0.110

No differences exist between the above net capital calculation and the corresponding information included in the Company's unaudited X-17A-5 Part II filing as of December 31, 2018. Therefore, no reconciliation of the computation is deemed necessary.

**Ballew Investments, Inc.**  
**Schedule II - Computation for the Determination of the Reserve**  
**Requirements Under SEC Rule 15c3-3 and Information Relating to**  
**Possession or Control Requirements Under SEC Rule 15c3-3**  
**Year ended December 31, 2018**

The Company is not required to file the above schedules, as it has claimed exemption from the Securities and Exchange Commission Rule 15c3-3 under Paragraph (k)(2)(ii) of the rule, as the broker-dealer is an introducing broker-dealer who clears all transactions on a fully-disclosed basis through a clearing broker-dealer and promptly transmits all customer funds and securities to the clearing firm which carries all the customer accounts and maintains the appropriate books and records.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
Ballew Investments, Inc.  
Jackson, Mississippi

We have reviewed management's statements, included in the accompanying Exemption Report, in which (a) Ballew Investments, Inc. (the "Company") identified the following provisions of 17 C.F.R. § 240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: Paragraph (k)(2)(ii) (the exemption provisions) and (b) the Company stated that the Company met the identified exemption provisions throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of 17 C.F.R. § 240.15c3-3.

Ridgeland, Mississippi  
February 18, 2019

# **Ballew Investments, Inc.**

## **Exemption Report**

**Year ended December 31, 2018**

Ballew Investments, Inc. (the “Company”) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, “Reports to be made by certain brokers and dealers”). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k): [(2) (ii) ]

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

I, C. Brooks Mosley, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.



A handwritten signature in black ink, reading "C. Brooks Mosley", is written over a horizontal line.

President

February 18, 2019

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