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SECURITIES AND EXCHANGE COMMISSION MISSION

Washington, D.C. 20549

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SECURITIES AND EXCHANGE COMMISSION
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 26417

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 11/1/04 AND ENDING 10/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CMS INVESTMENT RESOURCES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1926 ARCH STREET

(No. and Street)

PHILADELPHIA,

PENNSYLVANIA

19103-1484

(City)

(State)

(Zip Code)

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

LISA WOLOSZYN

(215) 246-3000

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

ASHER & COMPANY, LTD.

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

1845 WALNUT STREET

PHILADELPHIA

PENNSYLVANIA

19103

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

JAN 03 2006

THOMSON FINANCIAL

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**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)

SEC 1410 (06-02)

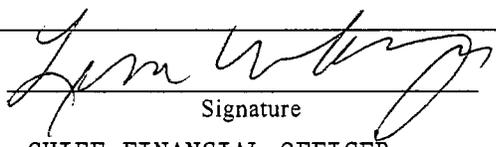
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OATH OR AFFIRMATION

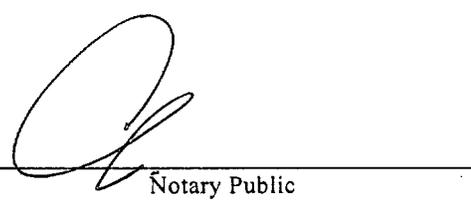
I, LISA WOLOSZYN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CMS INVESTMENT RESOURCES, INC., as of OCTOBER 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor 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

CHIEF FINANCIAL OFFICER

Title

  
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 15c3-3 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).

*INDEPENDENT AUDITORS' REPORT,  
FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND  
OTHER MATTERS*

**CMS INVESTMENT RESOURCES, INC.  
AND SUBSIDIARY  
(AN S CORPORATION)**

*OCTOBER 31, 2005 AND 2004*

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY  
(AN S CORPORATION)**

**OCTOBER 31, 2005 AND 2004**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Condition.....	2
Statements of Income and Retained Earnings .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements.....	5-9
Supplementary Information	
Schedules of Fee Income and Operating Expenses .....	10
Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission .....	11
Reconciliation of the Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission .....	12
Other Matters	
Report on Internal Accounting Control Required by SEC Rule 17a-5.....	13-14



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Certified Public Accountants

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Known Internationally as  
Moore Stephens Asher & Company, P.C.

## Independent Auditors' Report

### **The Board of Directors and Stockholders CMS Investment Resources, Inc. Philadelphia, Pennsylvania**

We have audited the accompanying statements of financial condition of **CMS Investment Resources, Inc. and Subsidiary (an S Corporation)** as of October 31, 2005 and 2004 and the related statements of income and retained earnings and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CMS Investment Resources, Inc. and Subsidiary (an S Corporation)** as of October 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information 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 Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
ASHER & COMPANY, Ltd.

**Philadelphia, Pennsylvania  
November 15, 2005**

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**STATEMENTS OF FINANCIAL CONDITION**  
**OCTOBER 31, 2005 AND 2004**

**ASSETS**

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,008,376	\$ 2,464,857
Receivables		
Advisory fees	218,624	-
Other	44,459	47,185
Receivable, Stockholder	50,915	-
Prepaid expenses	20,618	20,555
Total current assets	<u>2,342,992</u>	<u>2,532,597</u>
INVESTMENTS IN PARTNERSHIPS	9,463	8,902
<b>OTHER ASSETS</b>		
Tax deposit	261,212	109,967
Deposits	8,888	8,888
Total other assets	<u>270,100</u>	<u>118,855</u>
<b>Total Assets</b>	<u>\$ 2,622,555</u>	<u>\$ 2,660,354</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 40,625	\$ 68,648
Accrued taxes	43,307	129,721
Accrued profit sharing contribution	17,625	11,204
Payable, Stockholder	50,915	-
Total current liabilities	<u>152,472</u>	<u>209,573</u>
<b>COMMITMENTS</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.01 par value; 500,000 shares authorized; 100,000 shares issued and outstanding	1,000	1,000
Additional paid-in-capital	555,000	555,000
Retained earnings	1,914,083	1,894,781
Total Stockholders' equity	<u>2,470,083</u>	<u>2,450,781</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 2,622,555</u>	<u>\$ 2,660,354</u>

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

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Revenue		
Fee income	\$ 4,988,696	\$ 6,020,942
Expenses		
Operating	<u>3,693,273</u>	<u>4,130,796</u>
Income before other items	1,295,423	1,890,146
Other income, net	<u>285,044</u>	<u>6,415</u>
<b>NET INCOME</b>	1,580,467	1,896,561
Retained earnings, beginning of year	1,894,781	1,068,384
Dividends	<u>(1,561,165)</u>	<u>(1,070,164)</u>
Retained earnings, end of year	<u>\$ 1,914,083</u>	<u>\$ 1,894,781</u>

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

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,580,467	\$ 1,896,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in (income) loss of investments in Partnerships	(561)	1,258
Changes in:		
Advisory fee receivables	(218,624)	9,122
Other receivables	2,726	28,677
Tax deposit	(151,245)	(106,766)
Prepaid expenses	(63)	(4,696)
Accounts payable and accrued expenses	(28,023)	36,143
Accrued taxes	(86,414)	70,471
Accrued profit sharing contribution	6,421	5,520
Due to affiliated entity	-	(77,000)
	1,104,684	1,859,290
<b>INVESTING ACTIVITIES</b>		
Receivable, Stockholder	(50,915)	45,525
Net cash provided (utilized) by investing activities	(50,915)	45,525
<b>FINANCING ACTIVITIES</b>		
Payable, Stockholder	50,915	(45,525)
Distribution of dividends	(1,561,165)	(1,070,164)
Net cash utilized by financing activities	(1,510,250)	(1,115,689)
<b>INCREASE (DECREASE) IN CASH</b>	(456,481)	789,126
Cash, beginning of year	2,464,857	1,675,731
Cash, end of year	\$ 2,008,376	\$ 2,464,857

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

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY  
(AN S CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 AND 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies applied by management in the preparation of the accompanying financial statements.

Organization

CMS Investment Resources, Inc. (Company) is organized under the Laws of the Commonwealth of Pennsylvania and is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, and as an investment adviser under the Investment Advisers Act of 1940. Effective November 1, 2002, with the exception of one fund, the investment advisory operations of the Company were transferred to a new company, CMS Fund Advisers, Inc. (Advisers), a newly registered investment adviser. The purpose of this transfer was to house in Advisers the operations not related to the broker-dealer industry or its regulations. The remaining fund receives advisory services from CMS CPO LLC (CPO), of which the Company was the sole member until November 1, 2004. On that date, the Company made an in-kind distribution of all of its interest in CPO to the Stockholders of the Company. The Company continues to be a registered broker-dealer and to act as a placement agent for fund offerings as well as a broker-dealer for variable annuity insurance business.

Principles of consolidation

As of November 1, 2004, the Company has no subsidiaries. For the year ended October 31, 2004, the financial statements were consolidated and included the accounts of the Company and its then wholly-owned subsidiary. All intercompany accounts and transactions were eliminated in consolidation.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005 AND 2004**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Investment in partnerships*

The Company has General Partner and Limited Partner interests in limited partnerships which invest primarily in operating businesses and real estate. The Company accounts for General Partner investments on the equity method and Limited Partner investments on the cost method, respectively. Under the equity method, the Company's initial and subsequent investments, which are recorded at cost, are increased or decreased by the Company's share of the Partnership's operating results. Under the cost method, the Company's initial and subsequent investments are recorded at cost and income recognized is limited to distributions received. There were no distributions from limited partnership investments during the year.

*Revenue recognition*

Revenue is recognized from investment advisory services as earned. Additionally, certain private placement memoranda, placed in previous years, provided for potential future revenue for asset dispositions and refinancings. Such additional revenue was recognized when earned. Revenue from the placement of insurance is recognized upon notification of policy renewal.

*Income taxes*

The Company reports operations for financial statement purposes on the accrual basis of accounting and for tax reporting purposes on the cash basis of accounting.

CMS Investment Resources, Inc. has elected by unanimous consent of its Stockholders to be taxed as an S Corporation under the provisions of Subchapter S of the Internal Revenue Code. Under such provisions, the Company does not pay Federal or certain state corporate income taxes on its taxable income or realize the tax benefits of its losses. Instead, the Stockholders are liable for individual Federal or certain state income taxes on their respective shares of the Company's taxable income, and may include, subject to certain limitations, their respective shares of the Company's net operating loss in their individual income tax returns. At October 31, 2005 and 2004, the Company has a balance of approximately \$2,100,000 and \$1,700,000 in its accumulated adjustments account which is available for tax free distributions to its Stockholders.

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY  
(AN S CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 AND 2004**

**NOTE B - CONCENTRATION OF CREDIT RISK**

Cash balances

The Company maintains its cash in a bank deposit account. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Management has not experienced any losses and believes it is not exposed to any significant credit risk for the portion in excess of the FDIC limit.

**NOTE C - INVESTMENTS IN PARTNERSHIPS**

The Company had a General Partner investment interest in a limited partnership which owns interests in other partnerships for the year ended October 31, 2004. The Company no longer has this investment at October 31, 2005. The investment was reflected on the equity basis of accounting.

The following information summarizes in the aggregate the assets and liabilities of the Partnership in which the Company had investments at October 31, 2004 and the equity in the income for the year then ended. The information is presented at, and for the Partnerships' year ended December 31, 2003, the date of the most recently available financial information.

	<u>2004</u>
Summary of financial position:	
Assets	\$ 199
Liabilities	-
Equity	<u>\$ 199</u>
Summary of income:	
Equity in income of investments in Partnerships	<u>\$4,389</u>
Net income	<u>\$4,389</u>

**NOTE D - RELATED PARTY TRANSACTIONS**

Receivable, Stockholder

As of October 31, 2005, the Company has a receivable from a Stockholder in the amount of \$50,915.

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY  
(AN S CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 AND 2004**

**NOTE D - RELATED PARTY TRANSACTIONS (Continued)**

Payable, Stockholder

As of October 31, 2005, the Company has a payable to a Stockholder in the amount of \$50,915.

Management fees

Administrative services, telephone systems, and office space are provided by an affiliated company for which the Company paid fees of \$2,440,000 and \$2,707,000 for the years ended October 31, 2005 and 2004, respectively.

Investment Advisory Services

A former employee, whose employment agreement expired May, 2004, provided investment advisory services to the Company under a separate agreement. Advisory fees under this agreement were \$120,000 for the year ended October 31, 2004.

**NOTE E - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed a ratio of 15 to 1. At October 31, 2005, the ratio was .08 (eight hundredths) to 1. At October 31, 2005, the Company had net capital, as defined, of \$1,810,904, which was \$1,800,739 in excess of its required net capital of \$10,165.

The Company is exempt from the calculation of the reserve requirement under Rule 15c3-3k(2)(i) due to the fact that it carries no margin account, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker-dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker-dealer and its customers through a special account for the exclusive benefit of its customers.

Various states in which the Company is registered as an investment advisor and a broker dealer require a minimum net capital requirement of \$25,000.

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005 AND 2004**

**NOTE F - PROFIT SHARING PLAN**

The Company has a defined contribution profit sharing plan available to substantially all eligible employees under Section 401(k) of the Internal Revenue Code. The amount of the nonelective contribution to the profit sharing plan is determined at the discretion of the Company's Board of Directors. Employee contributions are generally limited to 15% of their compensation. The Company may elect not to make a matching 401(k) contribution for a specific plan year. However, when a matching contribution is made by the Company, the contribution will equal 50% of participants' eligible contributions not to exceed 1½% of the participating employee's compensation. The Company's matching contribution to the 401(k) plan for 2005 and 2004 amounted to \$17,546 and \$11,204, respectively. There were no nonelective contributions to the plan for 2005 and 2004.

**NOTE G - COMMITMENTS**

The Company, as a General Partner in a limited partnership, is jointly and severally liable with other related General Partners for recourse liabilities incurred by the partnership. As of December 31, 2003, the date of the most recently available financial information, such recourse liabilities were \$118,344 related to the Company's year end October 31, 2004. There were no recourse liabilities related to the Company's year end October 31, 2005.

***SUPPLEMENTARY INFORMATION***

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**SCHEDULES OF FEE INCOME**  
**AND OPERATING EXPENSES**  
**YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Fee income		
Advisory fees	\$ 2,553,424	\$ 2,614,257
Insurance commissions	2,435,272	3,406,685
	<u>\$ 4,988,696</u>	<u>\$ 6,020,942</u>
Operating expenses		
Payroll	\$ 785,858	\$ 762,317
Payroll taxes	43,988	39,670
Professional fees	151,829	290,553
Management fees	2,440,000	2,707,000
Automobile	874	394
Employee benefits	53,869	48,595
Entertainment	1,763	217
Insurance	109,552	107,320
Office	12,782	6,056
Taxes, other	88,078	166,437
Telephone	2,490	1,361
Travel	2,190	876
	<u>\$ 3,693,273</u>	<u>\$ 4,130,796</u>

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY  
(AN S CORPORATION)  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Total consolidated Stockholders' equity from statements of financial condition	\$ 2,470,083	\$ 2,450,781
Deduct nonallowable assets:		
Receivables	263,083	47,185
Receivable, Stockholder	50,915	-
Prepaid expenses	20,618	20,555
Investments in partnerships	9,463	8,902
Tax deposit	261,212	109,967
Other	8,888	8,888
	<u>614,179</u>	<u>195,497</u>
	1,855,904	2,255,284
Deduct: nonallowable deductible on fidelity bond coverage	<u>45,000</u>	<u>45,000</u>
Net capital	<u>\$ 1,810,904</u>	<u>\$ 2,210,284</u>
Minimum net capital required per 15c3-1(a)(2)	<u>\$ 10,165</u>	<u>\$ 21,861</u>
Aggregate indebtedness from statements of financial condition, inclusive of other unrecorded recourse liability amounts of \$118,344 in 2004	<u>\$ 152,472</u>	<u>\$ 327,917</u>
Ratio of aggregate indebtedness to net capital	<u>8%</u>	<u>15%</u>
Debt-equity ratio computed in accordance with 15c3-1(d)	<u>6%</u>	<u>13%</u>

**CMS INVESTMENT RESOURCES, INC. AND SUBSIDIARY**  
**(AN S CORPORATION)**  
**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL**  
**UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**October 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Total Stockholders' equity according to Form X-17A-5	\$2,470,083	\$2,450,781
Audit adjustments	<u>          -</u>	<u>          -</u>
Total Stockholders' equity according to the audit	<u>\$2,470,083</u>	<u>\$2,450,781</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of October 31, 2005 and 2004):		
Net capital, as reported in Company's Part II (unaudited) FOCUS Report	\$1,810,904	\$2,210,284
Audit adjustments reflected above	<u>          -</u>	<u>          -</u>
Net capital according to the audit	<u>\$1,810,904</u>	<u>\$2,210,284</u>

There was no material difference from the Company's computation of net capital as reported in Part II (unaudited) FOCUS Report and net capital according to the audit for October 31, 2005 and 2004.

*OTHER MATTERS*



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Report on Internal Accounting  
Control Required by SEC Rule 17a-5

The Board of Directors and Stockholders  
CMS Investment Resources, Inc.  
Philadelphia, Pennsylvania

In planning and performing our audits of the financial statements of CMS Investment Resources, Inc. and Subsidiary ("Company") (an S Corporation) for the years ended October 31, 2005 and 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by 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 tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e). We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13, in 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, or in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3, since the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 above-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 preparation of financial statements



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The Board of Directors and Stockholders  
CMS Investment Resources, Inc.

in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control that we consider to be material weaknesses as defined above.

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 were adequate at October 31, 2005 and 2004 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors', management, the National Association of Securities Dealers, Inc., the SEC 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.

*Asher & Company, Ltd.*  
ASHER & COMPANY, Ltd.

Philadelphia, Pennsylvania  
November 15, 2005