



06005285

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

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

SEC FILE NUMBER  
8-14657

RECEIVED

MAR 03 2006

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 1/1/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

1717 CAPITAL MANAGEMENT COMPANY

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
CHRISTIANA EXECUTIVE CAMPUS, 300 CONTINENTAL DRIVE

(No. and Street)

NEWARK, DELAWARE 19713

(City)

(State)

(Zip Code)

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

ANTHONY MASTRANGELO (610)407-1192

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG LLP, 191 W. NATIONWIDE DRIVE, COLUMBUS, OHIO

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

(Address)

(City)

(State)

Zip Code

CHECK ONE:

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

PROCESSED

JUN 14 2006

THOMSON  
FINANCIAL

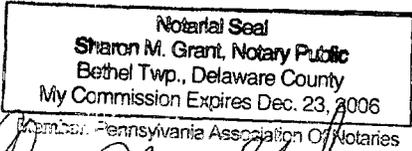
FOR OFFICIAL USE ONLY

\*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).

OATH OR AFFIRMATION

I, LANCE REIHL, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of 1717 CAPITAL MANAGEMENT COMPANY, as of DECEMBER 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:

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



*Sharon M. Grant*  
\_\_\_\_\_  
Notary Public

*James A. Reichel*

\_\_\_\_\_  
Signature  
PRESIDENT  
\_\_\_\_\_  
Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of CASH FLOWS
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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).



KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

## Independent Auditors' Report

The Board of Directors  
1717 Capital Management Company:

We have audited the accompanying statement of financial condition of 1717 Capital Management Company (the Company) as of December 31, 2005, and the related statements of operations, changes in stockholder's equity, and cash flows for the year 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 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in those financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the financial statements provides 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 1717 Capital Management Company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 12 and 13 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 audit 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.

KPMG LLP

March 1, 2006

**1717 CAPITAL MANAGEMENT COMPANY**  
(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)  
**STATEMENT OF FINANCIAL CONDITION**  
As of December 31, 2005

**Assets**

Cash and cash equivalents	\$ 9,206,073
Receivables:	
Investment companies	2,476,000
Income taxes from affiliate	844,935
Customers	369,000
Brokers and dealers	356,626
Other receivables	97,091
	4,143,652
Intangible asset	3,153,000
Prepaid expenses and other	417,891
Clearing organization deposit	65,195
	16,985,811
Total assets	\$ 16,985,811

**Liabilities and Stockholder's Equity**

Liabilities:

Payable to affiliates	\$ 4,696,452
Sales commissions and related bonuses payable	2,092,164
Gross deferred tax liability	1,405,815
Accounts payable and accrued expenses	952,987
Payable to investment companies	365,310
	9,512,728
Total liabilities	9,512,728

Contingencies - Note 9

Stockholder's equity:

Capital stock, \$1 par value, authorized 5,000 shares; issued and outstanding, 2,295 shares	2,295
Capital contributed in excess of par value	13,061,430
Accumulated deficit	(5,590,642)
	7,473,083
Net stockholder's equity	7,473,083
Total liabilities and stockholder's equity	\$ 16,985,811

See accompanying notes to financial statements.

**1717 CAPITAL MANAGEMENT COMPANY**  
(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)  
**STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2005

**Revenues**

Revenue from sales of variable products of affiliates	\$ 29,096,654
Revenue from sales of commissionable securities	19,378,636
Investment advisory fees	7,902,228
Revenue from sales of noncommissionable securities	3,227,675
Interest and dividends	<u>152,023</u>
	<u>59,757,216</u>

**Expenses**

Registered representatives' compensation from sales of variable products of affiliates	29,096,654
Registered representatives' compensation from sales of commissionable securities and other advisory services	23,934,231
Compensation and benefits	4,608,821
Other operating expenses	<u>4,770,040</u>
	<u>62,409,746</u>

Loss before income taxes (2,652,530)

Income tax benefit:

Federal	(921,428)
State	<u>(925)</u>

(922,353)

Net loss \$ (1,730,177)

See accompanying notes to financial statements.

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**For the Year Ended December 31, 2005**

	<u>Capital Stock, \$1 Par Value</u>	<u>Capital Contributed in Excess of Par Value</u>	<u>Accumulated Deficit</u>	<u>Net Stockholder's Equity</u>
Balance at January 1, 2005	\$ 2,295	\$ 13,061,430	\$ (3,860,465)	\$ 9,203,260
Net loss	-	-	<u>(1,730,177)</u>	<u>(1,730,177)</u>
Balance at December 31, 2005	<u>\$ 2,295</u>	<u>\$ 13,061,430</u>	<u>\$ (5,590,642)</u>	<u>\$ 7,473,083</u>

See accompanying notes to financial statements.

**1717 CAPITAL MANAGEMENT COMPANY**  
(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2005

<b>Cash flows from operating activities:</b>	
Net loss	\$ (1,730,177)
Adjustments to reconcile net loss to net cash used in operating activities:	
Noncash charges to income:	
Amortization	274,000
Deferred income taxes	(102,076)
(Increase) decrease in:	
Receivables	(685,419)
Prepaid expenses and other	62,615
Clearing organization deposit	(20)
Increase (decrease) in:	
Sales commissions and related bonuses payable	399,769
Accounts payable and accrued expenses	(171,733)
Payable to affiliates	1,558,979
Payable to investment companies	365,310
	<hr/>
Net cash used in operating activities	(28,752)
	<hr/>
Net decrease in cash and cash equivalents	(28,752)
Cash and cash equivalents, beginning of year	9,234,825
	<hr/>
Cash and cash equivalents, end of year	\$ 9,206,073
	<hr/>
<b>Supplemental cash flow information:</b>	
Income taxes received	\$ 892,609
	<hr/>

See accompanying notes to financial statements.

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

1. Organization

1717 Capital Management Company (the Company) is a wholly-owned subsidiary of Nationwide Provident Holding Company (NPHC), which is wholly-owned by Nationwide Life Insurance Company of America (NLICA). NLICA is a wholly-owned subsidiary of Nationwide Financial Services, Inc. (NFS). The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934 and is a registered investment adviser under the Investment Advisers Act of 1940. The Company is a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation.

The Company engages in the distribution of variable life insurance policies, variable annuities, investment company shares, investment trust units, and limited partnership interests. The Company is the principal distributor of variable life insurance policies issued by both NLICA and Nationwide Life and Annuity Company of America (NLACA), a wholly-owned subsidiary of NLICA. The Company is also a distributor of variable life insurance policies and variable annuity contracts issued by NFS' subsidiaries, Nationwide Life Insurance Company (NLIC) and Nationwide Life and Annuity Insurance Company (NLAIC).

2. Significant Accounting Policies

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and a Federal Home Loan bank note with an original maturity of three months or less. The carrying amount of cash and cash equivalents in the balance sheet approximates its fair value.

Intangible Asset and Stockholder's Equity

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" (SFAS No. 141). SFAS No. 141 requires the application of purchase accounting to be applied to all business combinations, including the allocation of the purchase price to all assets acquired and liabilities assumed. The Company established an intangible asset in the amount of \$4,100,000 on October 1, 2002, representing the present value of future income to be generated by existing accounts and all other revenue generating arrangements.

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**

**NOTES TO FINANCIAL STATEMENTS**

2. Significant Accounting Policies, continued

Intangible Asset and Stockholder's Equity, continued

SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), addresses how intangible assets should be accounted for after initial recognition. The Company has determined that the intangible asset is to be amortized over its estimated life of 22 years based upon undiscounted cash flows. The Company evaluates the recoverability and remaining useful life of the intangible asset each reporting period to determine whether events and circumstances warrant impairment to the carrying value or a revision to the remaining period of amortization. The Company completed its annual impairment testing and concluded that there were no impairment losses on existing intangibles in 2005.

Revenue Recognition

Securities transactions (and related revenue from sale of investment company shares, which is reported as revenue from sales of commissionable securities) are recorded on a trade date basis.

The Company receives commissions based on the sales of variable products of affiliates and subsequently pays commissions to the registered representatives. The transactions are recorded when processed by the affiliates. Commission revenue is reported as revenue from sales of variable products of affiliates. Commission expense is reported as registered representatives' compensation from sales of variable products of affiliates.

The Company earns revenue from fee-based asset management programs in which another company manages the investments and financial planning services directly for clients. Fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract. Investment advisory revenue is reported as investment advisory fees. Investment advisory expense is recognized as incurred and is reported as registered representatives' compensation from sales of commissionable securities and other advisory services.

Investment Income

Dividend and interest income is accrued as earned. Realized gains and losses are recorded on the trade date.

Concentrations of Credit Risk

In the normal course of business, the Company is involved in the execution and settlement of various customer securities transactions for which it earns commission and concession income. The Company seeks to control the risks associated with these activities by not financing customer transactions and by selling investment products of institutions which the Company believes are financially sound.

The Company derives the majority of its revenues from sales generated by the career agents and personal producing general agents of NLICA and NLACA.

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**

**NOTES TO FINANCIAL STATEMENTS**

2. Significant Accounting Policies, continued

Concentrations of Credit Risk, continued

In certain instances, the Company's cash balances exceeded the Federally insured limits of \$100,000 per institution.

Income Taxes

The Company is included in the consolidated Federal income tax return of NPHC. The tax benefits resulting from any operating losses by the Company that would be realized by NPHC based on a consolidated return go to the benefit of the Company.

A consolidated return is not permitted for state income tax purposes. The Company files separate state income tax returns.

The Company utilizes the asset and liability method of accounting for income tax. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under this method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Net Capital Requirements

Pursuant to the net capital requirements of the Securities and Exchange Commission (Rule 15c3-1), the Company is required to maintain a minimum net capital, as defined under such provisions. The Rule also requires that aggregate indebtedness, as defined, shall not exceed fifteen times net capital. The minimum net capital requirement was \$ 634,181 at December 31, 2005.

At December 31, 2005, aggregate indebtedness was 3.84 times net capital, and net capital amounted to \$2,478,357. The amount of net capital in excess of the statutory requirement was \$1,844,176 at December 31, 2005.

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**

**NOTES TO FINANCIAL STATEMENTS**

4. Special Account for the Exclusive Benefit of Customers

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 based upon meeting the exemption requirements of Rule 15c3-3 (k)(2)(i).

To qualify for the exemption under Rule 15c3-3 (k)(2)(i), the Company is prohibited from carrying margin accounts; must promptly transmit all customer funds and deliver all securities received in connection with its activities as the broker or dealer, must not otherwise hold funds or securities for, or owe money or securities to, customers and must effectuate all financial transactions between the Company and its customers through one or more bank accounts designated as Special Account for the Exclusive Benefit of Customers of the Company.

5. Related Party Transactions

The Company has entered into cost sharing agreements with Nationwide Mutual Insurance Company (NMIC), majority owner of NFS, and other affiliates, including NLICA, as a part of its ongoing operations. Expenses covered by such agreement are subject to allocation among NMIC and such subsidiaries. Measures used to allocate expenses among companies include individual employee estimates of time spent, special cost studies and other methods agreed to by the participating companies that are within industry guidelines and practices. In addition, Nationwide Services Company LLC, a subsidiary of NMIC, provides computer, telephone, mail, employee benefits administration, and other services to NMIC and certain of its direct and indirect subsidiaries, including the Company, based on specified rates for units of service consumed. The Company incurred expenses under these agreements of \$7,980,700 in 2005 for these services.

During 2005, the Company reported revenue and related commission expense for sales of the following NLICA, NLACA, NLIC and NLAIC products:

NLICA variable life	\$18,255,376
NLACA variable life	2,710,601
NLIC and NLAIC variable life	2,188,605
NLIC and NLAIC variable annuities	<u>5,942,072</u>
	<u>\$29,096,654</u>

6. Intangible Asset

At December 31, 2005, the gross carrying amount of the intangible asset was \$4,100,000 and the accumulated amortization was \$947,000. Amortization is based upon an expected life of 22 years. The amortization expense for the year ended December 31, 2005 was \$274,000. Estimated amortization expense for the next five years is as follows:

For year ended 12/31/2006	\$261,000
For year ended 12/31/2007	\$248,000
For year ended 12/31/2008	\$236,000
For year ended 12/31/2009	\$224,000
For year ended 12/31/2010	\$213,000

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**

**NOTES TO FINANCIAL STATEMENTS**

The Company completed its annual impairment testing and concluded that there were no impairment losses on existing intangibles in 2005 and 2004.

**7. Income Taxes**

The income tax benefit for 2005 was as follows:

Current tax benefit:	
Federal	\$(844,936)
State and local	<u>5,250</u>
Total current tax benefit	(839,686)
Deferred tax benefit:	
Federal	(76,492)
State	<u>(6,175)</u>
Total deferred tax benefit	(82,667)
Total tax benefit	<u>\$(922,353)</u>

The benefit for income taxes differs from the amount of income tax benefit determined by applying the applicable statutory Federal income tax rate to pretax loss as a result of the following differences:

Federal income tax at statutory rate	\$(928,386)
Increase in effective rate resulting from:	
State and local taxes	(603)
Meals and entertainment and other adjustments	<u>6,636</u>
Total tax benefit	<u>\$(922,353)</u>

Significant components of the Company's deferred tax assets and liabilities at December 31, 2005 are as follows:

Deferred tax assets:	
State net operating loss carryforward	\$ 860,863
Reserve for litigation	<u>54,266</u>
Total gross deferred tax assets	915,129
Less valuation allowance	<u>(860,863)</u>
Net deferred tax assets	<u>54,266</u>
Deferred tax liabilities:	
Intangible asset	(1,103,550)
State deferred tax and other	<u>(302,265)</u>
Gross deferred tax liability	<u>(1,405,815)</u>
Net deferred tax liability	<u>\$(1,351,549)</u>

**1717 CAPITAL MANAGEMENT COMPANY**  
**(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)**

**NOTES TO FINANCIAL STATEMENTS**

A valuation allowance is required to be established for any portion of the deferred tax asset that management believes it is more likely than not that it will not be realized. The Company has state net operating loss carry-forwards (which have a 20 year carry-forward), the tax effect of which was \$860,863 at December 31, 2005. As a result of carryforward limitations, a valuation allowance has been established against the entire balance at December 31, 2005. The increase in the valuation allowance during 2005 was \$251,727.

8. Agreement With Carrying Broker

The Company has entered into an agreement with a broker (the carrying broker) to execute securities transactions on behalf of its customers. The Company fully discloses this arrangement to its customers. The carrying broker remits commission revenue to the Company net of fees for clearing and other services. The Company is subject to off-balance-sheet risk in that it is responsible for losses incurred by the carrying broker that result from a customer's failure to complete securities transactions as provided for in the agreement. No provision for losses has been recorded in the financial statements relating to these transactions based on management's analysis of this exposure as of December 31, 2005.

9. Contingencies

The Company is a defendant, often in connection with NLICA and/or other affiliated entities, in lawsuits related to its securities business. NLICA has agreed to indemnify the Company for losses, if any, resulting from these lawsuits in excess of \$30,000, per occurrence. This action prevents any unfavorable outcome arising from the lawsuits having a material effect on the financial condition of the Company.

The financial services industry, including mutual fund, variable annuity, life insurance and distribution companies, has been the subject of increasing scrutiny by regulators, legislators and the media over the past two years. Numerous regulatory agencies, including the SEC and the NASD, have commenced industry-wide investigations regarding issues in connection with sales practices for variable insurance contracts, and have commenced enforcement actions against some companies on those issues. The Company has been contacted by regulatory agencies with respect to variable product sales practices, and is cooperating and responding to such inquiries.

# 1717 CAPITAL MANAGEMENT COMPANY

(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)

## COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934

December 31, 2005

### COMPUTATION OF NET CAPITAL

1.	Total ownership of equity from balance sheet	\$ 7,473,083
2.	Deduct: Ownership equity not allowable for net capital	-
		<u>7,473,083</u>
3.	Total ownership equity qualified for net capital	
4.	Add:	
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital	-
	B. Other (deductions) or allowable credits	-
		<u>-</u>
5.	Total capital and allowable subordinated liabilities	7,473,083
6.	Deductions and/or charges:	
	A. Total nonallowable assets from Schedule of Nonallowable Assets	(4,957,208)
	B. Other (deductions) and/or charges	<u>(28,813)</u>
7.	Other additions and/or credits	<u>-</u>
8.	Net capital before haircuts on securities positions	2,487,062
9.	Haircuts on securities:	
	C. Treasury bill	-
	D. Security Positions	<u>(8,705)</u>
10.	Net capital	<u>\$ 2,478,357</u>

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

11.	Minimum net capital required (6-2/3% of line 19)	<u>\$ 634,181</u>
12.	Minimum net capital requirement of reporting broker	<u>250,000</u>
13.	Net capital requirement (greater of line 11 or 12)	<u>634,181</u>
14.	Excess net capital (line 10 less line 13)	<u>1,844,176</u>
15.	Excess net capital at 1,000% (line 10 less 10% of line 19)	<u>\$ 1,527,084</u>

Continued

# 1717 CAPITAL MANAGEMENT COMPANY

(A Wholly-Owned Subsidiary of Nationwide Provident Holding Company)

## COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934, Continued

December 31, 2005

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16.	Total aggregate indebtedness liabilities from balance sheet	\$	9,512,728
17.	Add drafts for immediate credit		-
18.	Deduct adjustment based on Special Reserve Accounts (15c3-1(c)(1)(VII))		<u>-</u>
19.	Total aggregate indebtedness	\$	<u>9,512,728</u>
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)		384%
21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		<u>N/A</u>

### Statement Pursuant to Paragraph (d)(4) of Rule 17a-5

There were no material differences between this computation of net capital and the corresponding computation prepared by 1717 Capital Management Company included in the Firm's unaudited Part II FOCUS Report filing as of the same date.

### SCHEDULE OF NONALLOWABLE ASSETS (LINE 6A)

Intangible assets	\$	3,153,000
Receivables from investment companies, brokers and dealers, affiliates and others		1,386,316
Prepaid expenses and other		<u>417,892</u>
Total line 6A	\$	<u>4,957,208</u>

See accompanying independent auditors' report.