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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Information Required of Brokers and Dealers
Pursuant to Section 17 of the Securities
Exchange Act of 1934 and Rule 17a-5 Thereunder

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

AB 4/19

SEC FILE
8-37440

REPORT FOR THE PERIOD BEGINNING 1-Jan-05 AND ENDING 31-Dec-05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER

Estrada Hinojosa and Company, Inc.

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

1717 Main Street, 47th Floor, Lock Box 47

(No. and Street)

Dallas

Texas

75201

(City)

(State)

(Zip Code)

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

Robert A Estrada

(214) 658-1670

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANTS (Whose opinion is contained in this Report*)

WEAVER AND TIDWELL, L.L.P.

Public Accounting and Consulting Firm

12221 Merit Drive, Suite 1400

Dallas

Texas

75251

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒
☐
☐

Certified Public Accountant

Public Accountant

Accountant not resident in United State or any of its possessions.

PROCESSED

MAY 18 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 at the bureau of the exemption. See section 240.17a-5(e)(2).

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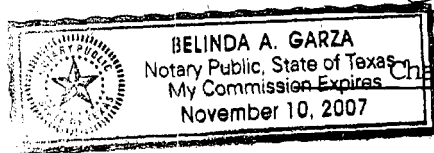
Oath or Affirmation

I, Robert A. Estrada, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of Estrada Hinojosa and Company, Inc., 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:

SECURITY ACCOUNTS OF PRINCIPAL OFFICERS AND DIRECTORS THAT ARE
CLASSIFIED AS CUSTOMER ACCOUNTS (DEBITS \$ _____, CREDITS \$ _____)

Subscribed and sworn to before me this
27th day of February, 2006.

Belinda A. Garza
Notary Public



RA Estrada

Signature

Chairman & CEO

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 general creditors. |
| ☒ | (g) | Computation of net capital for brokers and dealers pursuant to Rule 15c3-3. |
| ☒ | (h) | Computation for determination to the possession or control requirements for brokers |
| ☒ | (i) | Information relating to the possession or control requirements for brokers and dealers 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. |
| ☒ | (o) | Independent auditor's report on internal accounting control. |
| ☐ | (p) | Schedule of segregation requirements and funds in segregation - customers' regulated commodity futures account pursuant to Rule 171-5. |

* For conditions of confidential treatment of certain portions of this filing, see section 240.17e-5(e)(3).

Note: Various exchanges may require an additional letter of attestation.

ESTRADA HINOJOSA & COMPANY, INC.

**FINANCIAL REPORT
DECEMBER 31, 2005**

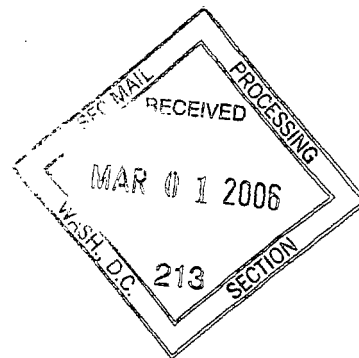
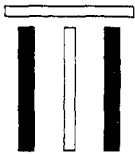


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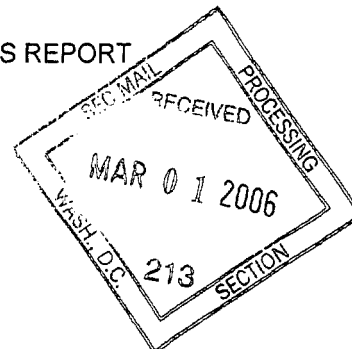


**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
ESTRADA HINOJOSA & COMPANY, INC.
Dallas, Texas

We have audited the accompanying statement of financial condition of Estrada Hinojosa & Company, Inc. as of December 31, 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities and 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 examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit 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 Estrada Hinojosa & Company, Inc. as of December 31, 2005, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, IV and V 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 of 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.

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Dallas, Texas
February 22, 2006

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AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

ESTRADA HINOJOSA & COMPANY, INC.

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2005

ASSETS

Cash	\$	870,447
Cash deposits with clearing organization		1,731,000
Receivable from brokers and dealers		183,463
Other receivables		530,649
Furniture, fixtures and equipment, at cost, less accumulated depreciation of \$161,497		75,532
Notes receivable - officers		<u>7,221</u>

TOTAL ASSETS \$ 3,398,312

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$	618,647
Income taxes payable		352,127
Deferred income taxes		<u>192,159</u>
		<u>1,162,933</u>

STOCKHOLDERS' EQUITY

Common stock, \$.01 par value, 1,000,000 shares authorized, 11,951 shares issued and outstanding		120
Additional paid-in capital		289,377
Retained earnings		<u>1,945,882</u>
		<u>2,235,379</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 3,398,312

The Notes to Financial Statements are
an integral part of this statement.

ESTRADA HINOJOSA & COMPANY, INC.

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2005

Revenue

Underwriting	\$	3,715,425
Financial advisory		5,680,797
Interest		<u>164,388</u>
		<u>9,560,610</u>

Operating expenses

Commissions		3,079,615
Clearing costs		28,090
Employee compensation		3,427,567
Office rent		260,173
Depreciation		21,791
Interest expense		125,633
Other operating expenses		<u>1,822,408</u>
		<u>8,765,277</u>

Income before income taxes 795,333

Income tax expense 284,969

Net income \$ 510,364

The Notes to Financial Statements are
an integral part of this statement.

ESTRADA HINOJOSA & COMPANY, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2005

	Common Stock \$.01 Par Value	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2004	\$ 120	\$ 289,377	\$ 1,435,518	\$ 1,725,015
Net income			510,364	510,364
Balance, December 31, 2005	\$ <u>120</u>	\$ <u>289,377</u>	\$ <u>1,945,882</u>	\$ <u>2,235,379</u>

The Notes to Financial Statements are
an integral part of this statement.

ESTRADA HINOJOSA & COMPANY, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 9,441,817
Cash paid to suppliers and employees	(8,273,775)
Interest received	164,388
Interest paid	(125,633)
Taxes paid	<u>(78,209)</u>

Net cash provided by operating activities 1,128,588

CASH FLOWS FROM INVESTING ACTIVITIES:

Collection of principal on notes receivable	61,000
Capital expenditures	<u>(15,440)</u>

Net cash provided by investing activities 45,560

Net increase in cash and cash equivalents 1,174,148

Cash and cash equivalents at beginning of year 1,427,299

Cash and cash equivalents at end of year \$ 2,601,447

RECONCILIATION OF CASH AND CASH EQUIVALENTS ON
THE STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:

Cash	\$ 870,447
Cash deposits with clearing organization	<u>1,731,000</u>

Cash and cash equivalents at end of year \$ 2,601,447

RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Net income	\$ 510,364
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	21,791
Decrease in receivables	45,595
Increase in accounts payable and accrued expenses	344,078
Increase in income taxes payable	273,918
Decrease in deferred income taxes	<u>(67,158)</u>

Net cash provided by operating activities \$ 1,128,588

The Notes to Financial Statements are
an integral part of this statement.

ESTRADA HINOJOSA & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The accounting policy relative to the carrying value of furniture, fixtures and equipment is indicated in the captions on the statement of financial condition.

Business Activity and Concentration of Credit Risk

Estrada Hinojosa & Company, Inc. (the Company) operates primarily as a broker of publicly traded securities and investments in Texas using a clearing organization located in Texas. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Receivables from brokers and dealers and other receivables are reported in the statement of financial condition at outstanding principal adjusted for any charge offs. An allowance for doubtful accounts is recognized by management based upon a review of specific customer balances, historical losses (bad debts) incurred and general economic conditions. As of December 31, 2005, the Company had no accounts that management believes were doubtful of being collected.

Equipment

Depreciation expense is computed using the straight-line method over an estimated useful life of seven years.

Revenue Recognition

Customers' securities transactions are recorded on a settlement date basis with commission income and expenses recorded on a trade date basis. Securities transactions of the Company are recorded on a trade date basis.

Resale and Repurchase Agreements and Securities Lending Agreements

Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements or reverse repos) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. The Company monitors the collateral on a regular basis to ensure that its market value is equal to or in excess of the principal amount loaned under the resale agreements. A third party maintains possession of the collateral on behalf of the Company. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

Income Taxes

The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109") "Accounting for Income Taxes". Accordingly, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently payable plus deferred taxes related primarily to the use of the cash basis method of accounting for income tax purposes and differences in equipment. Deferred taxes represent the future tax return consequences of those differences, which will be taxable or deductible when the assets and liabilities are recovered or settled.

ESTRADA HINOJOSA & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies - continued

Under SFAS No. 109, an asset and liability approach is used in accounting for income taxes. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting or according to the expected reversal date of temporary differences not related to an asset or liability for financial reporting. Also, a valuation allowance is used, if necessary, to reduce deferred tax assets by the amount of any tax benefits not expected to be realized based on available evidence.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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.

Note 2. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consists of the following at December 31, 2005:

Computer equipment and software	\$	154,329
Furniture and fixtures		<u>29,828</u>
		184,157
Accumulated Depreciation		<u>(108,625)</u>
Furniture, fixtures and equipment, net	\$	<u><u>75,532</u></u>

Note 3. Commitments and Contingencies

The Company leases office space under long-term non-cancelable operating leases. Future minimum required lease payments at December 31, 2005 are:

2006	\$	217,893
2007		<u>143,910</u>
	\$	<u><u>361,803</u></u>

The total rent expense under all operating leases totaled \$260,173 for the year ended December 31, 2005. Included in that amount is \$78,000 paid to an affiliate related through common ownership.

ESTRADA HINOJOSA & COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 4. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. If the net capital ratio exceeds 10 to 1 the Company may not withdraw equity capital or pay cash dividends. At December 31, 2005, the Company had net capital of \$1,935,502, which was \$1,835,502 in excess of its required net capital of \$100,000. The Company's net capital ratio was 0.50 to 1.

Note 5. Income Tax Expense

Income tax expense consists of the following at December 31, 2005:

Current tax expense	\$ 352,127
Deferred tax benefit	<u>(67,158)</u>
Total tax expense	<u>\$ 284,969</u>

Current income tax expense differs from the tax computed by applying the federal statutory rates to income before taxes principally because of non-deductible expenses for tax purposes.

Net deferred tax liabilities are analyzed as follows:

Gross deferred tax assets	\$ 64,260
Gross deferred tax liabilities	<u>(256,419)</u>
Net deferred tax liabilities	<u>\$ (192,159)</u>

Note 6. Retirement Plan

Effective January 1, 2002, the Company adopted a 401(K) retirement plan that covers all employees that completes a minimum of six months of service. Eligible employees may contribute any amount to the plan, up to the statutory maximum permitted. Each year, the Company has the discretion to make a non-elective contribution to the accounts of each employee eligible to participate in the plan. The Company's contribution to the plan for 2005 was \$99,981.

Note 7. Note Receivable

The Company has a note receivable from an officer of the Company with an interest rate of 6% per annum. As of December 31, 2005, the balance on the note was \$7,221.

ESTRADA HINOJOSA & COMPANY, INC.

SCHEDULE I - COMPUTATION OF NET CAPITAL
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005

NET CAPITAL		
Total stockholders' equity		\$ 2,235,379
Deduct stockholders' equity not allowable for net capital		
Total stockholders' equity qualified for net capital		2,235,379
ADD:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		
B. Other (deductions) or allowable credits		
Total capital and allowable subordinated liabilities		2,235,379
DEDUCTIONS AND/OR CHARGES		
A. Non-allowable assets		
Other receivables	\$ 217,124	
Notes receivable - officers	7,221	
Furniture, fixtures and equipment, net	75,532	
B. Secured demand note deficiency		
C. Commodity futures contracts and spot commodities - proprietary capital charges		
D. Other deductions and/or charges		
		299,877
Net capital before haircuts on securities positions		1,935,502
HAIRCUTS ON SECURITIES POSITIONS		
A. Contractual securities commitments		
B. Deficit in securities collateralizing secured demand notes		
C. Trading and investment securities		
1. Exempt securities		
2. Debt securities		
3. Options		
D. Undue concentration		
E. Other		
NET CAPITAL		\$ <u>1,935,502</u>

(continued)

ESTRADA HINOJOSA & COMPANY, INC.

SCHEDULE I - COMPUTATION OF NET CAPITAL
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005

AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition (net of deferred income taxes)	\$	970,774
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ADD:

A. Drafts for immediate credit	\$	
B. Market value of securities borrowed for which no equivalent value is paid or credited		
C. Other unrecorded amounts		

Total aggregate indebtedness	\$	<u>970,774</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	\$	<u>64,718</u>
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Minimum dollar net capital requirement	\$	<u>100,000</u>
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Net capital requirement (larger of above)	\$	<u>100,000</u>
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Excess net capital	\$	<u>1,835,502</u>
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Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	\$	<u>1,838,425</u>
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Percentage aggregate indebtedness to net capital		<u>50.16</u>
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Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		<u>N/A</u>
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(concluded)

ESTRADA HINOJOSA & COMPANY, INC.

SCHEDULE II - RECONCILIATION

PURSUANT TO RULE 17a-5(d) (4) OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005

Net capital per unaudited 11A Focus Report, as reported December 31, 2005	\$ 1,878,857
Audit adjustments, net of taxes	<u>56,645</u>
Net capital, per Schedule I	\$ <u><u>1,935,502</u></u>

ESTRADA HINOJOSA & COMPANY, INC.

**SCHEDULE III - COMPUTATION FOR
DETERMINATION OF RESERVE REQUIREMENTS UNDER
RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005**

No reserve requirement is required since the Company operated as a limited securities broker pursuant to the (K)(2)(ii) exemption under Rule 15c3-3. The conditions of exemption from Rule 15c3-3 were being complied with at December 31, 2005, and during the year then ended.

ESTRADA HINOJOSA & COMPANY, INC.

SCHEDULE IV - INFORMATION RELATING
TO POSSESSION OR CONTROL REQUIREMENTS UNDER
RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005

Possession or control of securities is not maintained by the Company and the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

ESTRADA HINOJOSA & COMPANY, INC.

**SCHEDULE V - SCHEDULE OF SEGREGATION
REQUIREMENTS AND FUNDS IN SEGREGATION
DECEMBER 31, 2005**

The Company has no segregation requirements or funds in segregation since the Company operated as a limited securities broker pursuant to the (K)(2)(ii) exemption under Rule 15c3-3 and the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

SUPPLEMENTARY INFORMATION



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY SEC RULE 17A-5

To the Board of Directors
ESTRADA HINOJOSA & COMPANY, INC.
Dallas, Texas

In planning and performing our audit of the financial statements and supplemental schedules of Estrada Hinojosa & Company, Inc. for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "Commission"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Estrada Hinojosa & Company, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of Estrada Hinojosa & Company, Inc. 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 internal control policies and procedures 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 Commission'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 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 any system of internal control or the practices and procedures referred to above, errors or irregularities 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.

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INTERNATIONAL

Our consideration of internal control would not necessarily disclose all matters 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 elements does not reduce to a relatively low level the risk that errors or irregularities in amounts 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, including control activities for safeguarding securities, which we consider to be a material weakness 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 Commission 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 December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Commission, 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.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 22, 2006