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

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ANNUAL AUDITED REPORT FORM X-17A-5 PART III FEB 28 2007 213 FACING PAGE

SEC FILE NUMBER B- 44129

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 01/01/06 AND ENDING 12/31/06 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: COKER, PALMER, PHILLIPS & MULLEN, INC., d/b/a

OFFICIAL USE ONLY FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 1667 LELIA DRIVE (No. and Street)

JACKSON MS 39216-4818 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT J. DAVID COKER (601) 354-0860 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

HADDOX REID BURKES & CALHOUN PLLC (Name - if individual, state last, first, middle name)

1100 AMSOUTH PLAZA JACKSON MS 39201 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

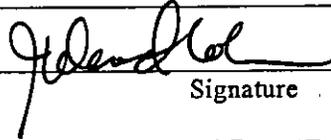
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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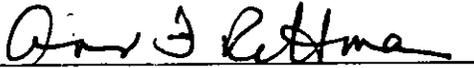
OATH OR AFFIRMATION

I, J. DAVID COKER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COKER & PALMER, INC., as of DECEMBER 31, 20 06, 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:

NO EXCEPTIONS

  
Signature

PRESIDENT  
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~~ Cash Flows.
- (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).

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**HADDOX REID BURKES & CALHOUN PLLC**  
Certified Public Accountants

EMMITTE J. HADDOX  
JIMMY E. BURKES  
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors  
Coker & Palmer, Inc.

We have audited the accompanying statements of financial condition of Coker & Palmer, Inc. as of December 31, 2006 and 2005, and the related statements of income, changes in stockholders' equity, 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 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 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 Coker & Palmer, Inc. as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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.

*Haddox Reid Burkes & Calhoun PLLC*

February 27, 2007

**COKER & PALMER, INC.**

**STATEMENTS OF FINANCIAL CONDITION**

**ASSETS**

	December 31,	
	<u>2006</u>	<u>2005</u>
CASH AND CASH EQUIVALENTS	\$ 1,610,422	1,090,595
RECEIVABLE FROM & DEPOSITS WITH CLEARING BROKER	75,201	123,836
OTHER ACCOUNT RECEIVABLE	15,502	293,674
PREPAID EXPENSES	10,830	20,378
INVESTMENTS:		
Partnership interest - Note 8	242,088	231,357
FURNITURE AND EQUIPMENT, net of accumulated depreciation of \$337,594 in 2006 and \$296,251 in 2005 - Note 1	<u>250,575</u>	<u>106,204</u>
	<u>\$ 2,204,618</u>	<u>1,866,044</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES:**

Accounts payable	\$ 77,105	31,362
Accrued expenses	720,782	787,506
Retirement plan contribution - Note 7	-	387
Income taxes payable - Note 4	35,153	87,111
Notes payable - Note 3	175,050	200,050
Deferred income taxes - Note 4	119,583	52,338
Total liabilities	<u>1,127,673</u>	<u>1,158,754</u>

**STOCKHOLDERS' EQUITY:**

Common stock, \$.01 par value; 1,000,000 shares authorized, 120,000 shares issued and outstanding - Note 6	1,200	1,200
Paid-in capital	182,256	182,256
Retained earnings	893,489	523,834
Total stockholders' equity	<u>1,076,945</u>	<u>707,290</u>
	<u>\$ 2,204,618</u>	<u>1,866,044</u>

The accompanying notes are an integral part of these statements.

**COKER & PALMER, INC.**

**STATEMENTS OF INCOME**

	<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>REVENUE:</b>		
Commissions	\$ 10,964,149	\$ 7,816,402
Investment income:		
Interest	30,288	6,043
Gain on sale of investments	49,962	-
Income from partnership investments - Note 8	77,615	134,732
Other Income	11,345	-
	11,133,359	7,957,177
 <b>EXPENSES:</b>		
Compensation and related expenses	8,177,948	6,097,627
Brokerage and clearing fees	864,978	739,419
Occupancy and management services	378,025	222,592
Communications	94,995	71,483
Quote services	265,612	178,130
Depreciation expense	41,343	21,468
Other operating expenses	677,683	312,734
	10,500,584	7,643,453
 <b>INCOME BEFORE INCOME TAXES</b>	<b>632,775</b>	<b>313,724</b>
 <b>INCOME TAX EXPENSE - Note 4:</b>		
Current portion	195,876	87,111
Deferred portion	67,244	52,338
	263,120	139,449
 <b>NET INCOME</b>	<b>\$ 369,655</b>	<b>174,275</b>

The accompanying notes are an integral part of these statements.

**COKER & PALMER, INC.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCES, JANUARY 1, 2005</b>	\$ 1,200	88,072	668,743	758,015
Proceeds from issuance of common stock	240	111,798	-	112,038
Purchase of common stock	(240)	(17,614)	(94,184)	(112,038)
Net income for year	-	-	174,275	174,275
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(225,000)</u>	<u>(225,000)</u>
<b>BALANCES, DECEMBER 31, 2005</b>	1,200	182,256	523,834	707,290
Net income for year	<u>-</u>	<u>-</u>	<u>369,655</u>	<u>369,655</u>
<b>BALANCES, DECEMBER 31, 2006</b>	<u>\$ 1,200</u>	<u>182,256</u>	<u>893,489</u>	<u>1,076,945</u>

The accompanying notes are an integral part of these statements.

**COKER & PALMER, INC.**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 369,655	174,275
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41,343	21,468
(Gain) on sale of investments	(49,962)	-
(Income) from investment partnerships	(77,615)	(134,732)
Deferred income taxes	67,244	52,338
(Increase) decrease in operating assets:		
Receivable from and deposits with clearing broker	48,635	(4,880)
Other accounts receivable	278,172	(287,419)
Prepaid expenses	9,548	(15,255)
Increase (decrease) in operating liabilities:		
Income taxes payable	(52,936)	87,111
Accounts payable and accrued expenses	(21,368)	691,597
Net cash provided by operating activities	612,716	584,503
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investment securities	7,203,431	-
Purchase of investment securities	(7,153,468)	-
Purchase of furniture and equipment	(185,714)	(62,896)
Distribution from investment partnerships	66,884	135,773
Net cash used by investing activities	(68,867)	72,877
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable	(25,000)	(25,000)
Distributions to stockholders	-	(225,000)
Proceeds from issuance of stock	-	112,038
Purchase of common stock	-	(112,038)
Net cash used by financing activities	(25,000)	(250,000)

**COKER & PALMER, INC.**

**STATEMENTS OF CASH FLOWS - CONTINUED:**

	<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
	<u>          </u>	<u>          </u>
<b>NET INCREASE IN CASH</b>	<b>\$ 518,849</b>	<b>407,380</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u><b>1,090,595</b></u>	<u><b>683,215</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u><b>\$ 1,609,444</b></u></u>	<u><u><b>1,090,595</b></u></u>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	<u><u><b>\$ 10,793</b></u></u>	<u><u><b>12,711</b></u></u>
Income taxes	<u><u><b>\$ 247,000</b></u></u>	<u><u><b>-</b></u></u>

The accompanying notes are an integral part of these statements.

**COKER & PALMER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

Coker & Palmer, Inc. (the "Company") is a registered securities broker-dealer located in Jackson, Mississippi. The Company clears its transactions on a fully disclosed basis through another broker. Under the terms of its clearing agreement, the Company is required to guarantee the performance of its customers in meeting contracted obligations.

Basis of Accounting

The accounting records of the Company are maintained on the accrual basis whereby revenue is recorded when earned and expenses are recognized when incurred. The securities transactions and the related commission revenue and expenses are recorded on trade date.

Cash and Cash Equivalents

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

Security Transactions

Marketable securities are valued at market value. Gains (losses) on investment securities includes both realized and unrealized gains and (losses).

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed using straight line and accelerated methods over the estimated useful lives of the assets, five to seven years.

Income Taxes

The Company was taxed as an S corporation under the provisions of the Internal Revenue Code from its inception until August 31, 2005. Under those provisions, the Company did not pay corporate income taxes on its taxable income. Instead, stockholders were liable for individual income taxes on their respective shares of the Company's taxable income.

Effective September 1, 2005, the Company's S corporation status was terminated, resulting in the Company being subject to corporate income taxes on its taxable income for the period September 1, 2005 through December 31, 2005 and all subsequent years.

**COKER & PALMER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Estimates

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.

Fair Value of Financial Instruments

The carrying value of cash, receivables and accounts payable approximates fair value due to the short maturity of these instruments.

**NOTE 2 - OFF-BALANCE SHEET CREDIT AND MARKET RISK**

Financial instruments which potentially subject the Company to concentrations of credit risk include temporary cash investments and trade receivables.

The Company maintains its cash accounts with high credit quality financial institutions. At times, such accounts are in excess of the FDIC insurance limit.

Securities transactions of customers are introduced to and cleared through a clearing broker. In conjunction with the clearing broker, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Compliance with the various guidelines are monitored daily and, pursuant to such guidelines, the customers may be required to deposit additional collateral or reduce positions where necessary.

Receivables from and the deposits with the clearing broker represent a concentration of credit risk and primarily relate to commissions receivable on securities transactions. The Company does not anticipate nonperformance by customers or its clearing broker. In addition, the Company has a policy of reviewing, as considered necessary, the clearing broker with which it conducts business.

**NOTE 3 - NOTES PAYABLE**

Notes payable were as follows as of December 31, 2006 and 2005:

**COKER & PALMER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 3 - NOTES PAYABLE - CONTINUED:**

	<u>2006</u>	<u>2005</u>
<p>Note payable, collateralized by all accounts, contract rights, chattel paper, general intangibles, equipment, and furniture and fixtures, due in semi-annual installments of \$12,500 to be applied to principal and interest at 5.5%. The final payment of principal and interest, if not sooner paid, shall be due and payable on July 15, 2008.</p>	<u>\$ 175,050</u>	<u>200,050</u>

**NOTE 4 - INCOME TAX MATTERS**

The Company utilizes SFAS No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets or liabilities.

The provision for federal and state income taxes consists of the following:

	<u>2006</u>	<u>2005</u>
<b>CURRENT INCOME TAXES:</b>		
Federal income tax expense	\$ 166,009	75,434
State income tax expense	29,867	11,677
	<u>195,876</u>	<u>87,111</u>
<b>DEFERRED INCOME TAXES RELATED TO:</b>		
Depreciation	42,752	37,745
Unrealized gain on partnership income	3,431	35,654
Accrued compensation to stockholders	21,061	(21,061)
	<u>67,244</u>	<u>52,338</u>
Total income tax expense	<u>\$ 263,120</u>	<u>139,449</u>

**COKER & PALMER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 4 - INCOME TAX MATTERS - CONTINUED:**

The net deferred income tax liability results from differences in the recognition of income and expense for income tax and financial statement purposes. The nature of these differences and the tax effect of each are as follows:

	2006	2005
<b>DEFERRED TAX ASSET:</b>		
Excess of accrued compensation payable to stockholders, expensed for financial purposes over tax expense allowable	\$ -	21,061
<b>DEFERRED TAX LIABILITY:</b>		
Excess of tax depreciation expensed over book depreciation expensed	(80,498)	(37,745)
Excess of unrealized (gains) losses on investments recognized for financial purposes over taxable amount	(39,085)	(35,654)
Net deferred tax liability	\$ (119,583)	(52,338)

**NOTE 5 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) that requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to the net capital, both as defined, shall not exceed 15 to 1.

Net capital and aggregate indebtedness change from day to day, but at December 31, 2006, the Company had net capital of \$677,533, which was \$577,533 in excess of its required net capital of \$100,000. At December 31, 2005, the Company had net capital of \$164,479, which was \$64,479 in excess of its required net capital of \$100,000. The net capital rule may effectively restrict the payment of cash dividends. The Company's net capital ratio was 1.49 to 1 and 6.73 to 1 at December 31, 2006 and 2005, respectively.

**COKER & PALMER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**NOTE 6 - CAPITAL STOCK RESTRICTIONS**

The Corporation's Shareholders' Agreement limits the right of its stockholders to sell or transfer their stock. A stockholder must advise the Corporation and other stockholders in writing of their desire to sell or transfer any of the Corporation's stock. The Corporation shall have an option for sixty days within which to acquire the stock. In the event that the option is not exercised by the Corporation, any of the remaining stockholders shall have an option for an additional ten days to acquire the stock. If neither option is exercised, the restriction on transfers shall no longer apply to such stockholder.

**NOTE 7 - RETIREMENT PLAN**

The Company has established a Salary Reduction Simplified Employee Pension Plan (SARSEP) covering substantially all employees. Participants may contribute a portion of their compensation to the plan. Company contributions are made at the discretion of the Board of Directors. Elective contributions of \$206,984 and \$119,120 were made for the years ending December 31, 2006 and 2005, respectively. There were no discretionary contributions for either year.

**NOTE 8 - RELATED PARTIES**

The Company occupies an office building owned by a separate company that has common ownership with Coker & Palmer, Inc.. There is no lease agreement. Rent paid for 2006 and 2005 was \$123,410 annually.

In February 1998, the Company organized a limited partnership, Navarre Partners, L.P., to invest funds in marketable securities. In addition, the Company organized a second limited partnership, Tricolor Partners, Inc., that also invested funds in marketable securities in June 2004. The Company is the general partner of both partnerships. The Company's interest in the partnerships is reported on the financial statements at an amount equal to the partners' capital account balance at December 31, 2006 and 2005 as follows:

COKER & PALMER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

NOTE 8 - RELATED PARTIES - CONTINUED:

	<u>2006</u>	<u>2005</u>
Balance per capital accounts at beginning of year	\$ 231,357	232,398
Contribution to capital	-	-
Allocable share of partnership income for the year	77,615	134,732
Distributions during the year	<u>(66,884)</u>	<u>(135,773)</u>
Capital balances at end of year	<u>\$ 242,088</u>	<u>231,357</u>

NOTE 9 - LEASE COMMITMENTS

The Company leases its corporate office from a related partnership under an informal month-to-month lease (see Note 8). The Company also leases office space under an operating lease that expires May 31, 2011.

The following is a schedule detailing future minimum lease payments:

Year ended December 31:	
2007	\$ 122,619
2008	122,619
2009	122,619
2010	122,619
2011	<u>51,091</u>
	<u>\$ 541,567</u>

NOTE 10 - MAJOR CUSTOMER

For the year ended December 31, 2006, no single customer generated more than 10% of the Company's commission revenue. During the year ended December 31, 2005, two major customers generated approximately 35% of the Company's commission revenue.

SUPPLEMENTAL INFORMATION

## COKER &amp; PALMER, INC.

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2006**

**STOCKHOLDERS' EQUITY:**

Capital stock outstanding		\$ 1,200
Additional paid-in capital		182,256
Retained earnings		893,489
Deferred income taxes		<u>119,583</u>
		1,196,528

**DEDUCTIONS:**

## Non-allowable assets:

Furniture and equipment	250,575	
Non-public partnership interest	242,088	
Receivables from non-customers	15,502	
Prepaid expenses	<u>10,830</u>	
		<u>518,995</u>

## Net capital before haircuts on securities

positions		677,533
Less: Haircuts		<u>-</u>
Net capital		677,533

**AGGREGATE INDEBTEDNESS:**

Accounts payable and accrued expenses	833,040
Notes payable	<u>175,050</u>
	<u>1,008,090</u>

**MINIMUM CAPITAL REQUIREMENTS**

(6.67% of \$1,008,090 subject to minimum capital of \$100,000)

	<u>100,000</u>
--	----------------

## Capital in excess of minimum requirement

	<u><u>\$ 577,533</u></u>
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**PERCENTAGE OF AGGREGATE INDEBTEDNESS  
TO NET CAPITAL**

1.49 to 1%

COKER & PALMER, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2006

RECONCILIATION WITH COMPANY'S COMPUTATION  
(INCLUDED IN PART II OF FORM X-17A-5 AS OF  
DECEMBER 31, 2006):

Net capital, as reported in Company's Part II (unaudited) Focus Report	\$ 712,686
Increase in income taxes payable	<u>(35,153)</u>
Net capital as computed above	<u>\$ 677,533</u>

## COKER &amp; PALMER, INC.

OTHER SCHEDULES  
DECEMBER 31, 2006

The following schedules are not being filed as they are inapplicable, or not required:

1. Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 is not applicable since respondent forwards all transactions of its customers to a clearing broker.
2. Information relating to the possession or control requirements under Rule 15c3-3 is not required since respondent forwards all securities directly to its clearing broker.
3. Reconciliation between audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
4. Statement of Changes in *Liabilities* Subordinated to Claims of Creditors is not required since no liabilities of the respondent are subordinated to the general claims of creditors.

**HADDOX REID BURKES & CALHOUN PLLC**  
Certified Public Accountants

EMMITTE J. HADDOX  
JIMMY E. BURKES  
PAUL W. CALHOUN  
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**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT**  
**ON INTERNAL CONTROL**

Board of Directors  
Coker & Palmer, Inc.

In planning and performing our audit of the financial statements of Coker & Palmer, Inc. for the year ended December 31, 2006, 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, we have made a study of the practices and procedures followed by Coker & Palmer, Inc., including tests of 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 (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- (1) Making quarterly securities examinations, counts, verifications and comparisons and comparisons and recordation of differences required by rule 17a-13.
- (2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
- (3) Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by rule 15c3-3.

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 the preparation of financial statements 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, errors 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 misstatements caused by 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, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that the 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 any 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, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than those specified parties.

*Hadden Reid Baker & Colton PLLC*

February 27, 2007

**END**