

FORM

X-17A-5

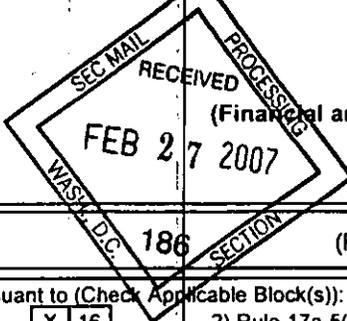
FOCUS REPORT

(Financial and Operational Combined Uniform Single)

Part IIA 12



07002833



(Read instructions before preparing Form)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a)  16

2) Rule 17a-5(b)  17

3) Rule 17a-11  18

4) Special request by designated examining authority  19

5) Other  26

NAME OF BROKER-DEALER

M.E.B. Options, Inc.

SEC FILE NO

8-53315

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

14444 Oak Trail

FIRM ID NO

364439943

(No. and Street)

Homer Glen

(City)

21

IL

(State)

22

60491

(Zip Code)

FOR PERIOD BEGINNING (MM/DD/YY)

1/1/2006

AND ENDING (MM/DD/YY)

12/31/2006

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

David Koehler

(Area Code)---Telephone No.

312-260-5542

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNT? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDIT REPORT?  42

EXECUTION:

The registrant/broker or dealer submitting this form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 26<sup>TH</sup> day of FEBRUARY 2007

Manual signatures of:

1) *Michael Bay* PRESIDENT  
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

Attention - Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

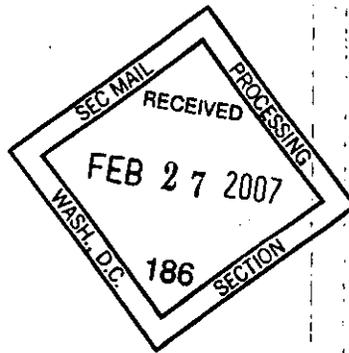
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M.E.B. OPTIONS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2006

M.E.B. OPTIONS, INC.

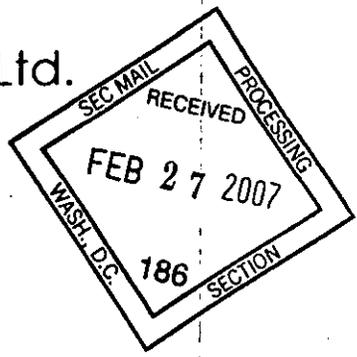
FINANCIAL STATEMENTS

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**Reifler, Sharps, Schuetz, Ltd.**  
 Certified Public Accountants



To the Board of Directors  
 M.E.B. Options, Inc.  
 440 S. LaSalle Street Suite 959  
 Chicago, IL. 60605

We have audited the accompanying consolidated statement of financial condition of M.E.B. Options, Inc. (the Company) as of December 31, 2006, and the related consolidated statements of income, changes in shareholders' equity, changes in liabilities subordinated to claims of general creditors, 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 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 M.E.B. Options, Inc. as of December 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination also included the statement of the computation of minimum capital requirements as of December 31, 2006 pursuant to Section 1.17 of the regulations under the Commodity Exchange Act. In our opinion, this statement when considered in relation to the basic financial statements presents fairly the information shown in it.

*Reifler, Sharps, Schuetz, Ltd.*  
 REIFLER, SHARPS, SCHUETZ, LTD.

February 26, 2007

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc.

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS**

As of (MMDDYY) 12/31/2006 99  
 SEC FILE NO. 8-53315 98  
 Consolidated 198  
 Unconsolidated  199

	<b>ASSETS</b>			<b>ASSETS</b>			<b>ASSETS</b>	
	<b>Allowable</b>			<b>Non-Allowable</b>			<b>Total</b>	
1. Cash	\$ 497,592	200				\$ 497,592	750	
2. Receivables from brokers or dealers:								
A. Clearance account	25,425	295						
B. Other	0	300	\$ 875	550		26,300	810	
3. Receivables from non-customers	268,543	355		369,112	600	637,655	830	
4. Securities and spot commodities owned, at market value:								
A. Exempted securities	0	418						
B. Debt securities	0	419						
C. Options	0	420						
D. Other securities	0	424						
E. Spot commodities	0	430				0	850	
5. Securities and/or other investments not readily marketable:								
A. At cost \$0 [130]								
B. At estimated fair value	0	440	0	610		0	860	
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:								
A. Exempted securities \$0 [150]								
B. Other securities \$0 [160]								
7. Secured demand notes: market value of collateral:								
A. Exempted securities \$0 [170]								
B. Other securities \$0 [180]								
8. Memberships in exchanges:								
A. Owned, at market \$0 [190]								
B. Owned, at cost		**	0	650				
C. Contributed for use of the company, at market value			0	660		0	900	
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	0	480	50,510	670		50,510	910	
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	0	490	0	680		0	920	
11. Other assets	0	535	0	735		0	930	
12. TOTAL ASSETS	\$ 791,560	540	\$ 420,497	740		\$ 1,212,057	940	

\*\* - Fill in memberships owned at cost.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc.

**as of:** December 31, 2006

**STATEMENT OF FINANCIAL CONDITION  
LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities *</u>		<u>Non-A.I. Liabilities *</u>		<u>Total</u>	
13. Bank loans payable	\$	0 1045	\$	0 1255	\$	0 1470
14. Payable to brokers or dealers:						
A. Clearance account		0 1114		0 1315		0 1560
B. Other		0 1115		0 1305		0 1540
15. Payable to non customers:		0 1155		0 1355		0 1610
16. Securities sold not yet purchased at market value:				0 1360		0 1620
17. Accounts payable, accrued liabilities, expenses and other		53,255 1205		0 1385		53,255 1685
18. Notes and mortgages payable:						
A. Unsecured		0 1210				0 1690
B. Secured		0 1211		0 1390		0 1700
19. Liabilities subordinated to claims of general creditors:						
A. Cash borrowings				0 1400		0 1710
1. from outsiders \$0 [970]						
2. Includes equity subordination(15c3-1(d)) of \$0 [980]						
B. Securities borrowings, at market value from outsiders \$0 [990]				0 1410		0 1720
C. Pursuant to secured demand note collateral agreements				0 1420		0 1730
1. from outsiders \$0 [1000]						
2. Includes equity subordination(15c3-1(d)) of \$0 [1010]						
D. Exchange memberships contributed for use of company, at market value				0 1430		0 1740
E. Accounts and other borrowings not not qualified for net capital purposes		0 1220		0 1440		0 1750
20. TOTAL LIABILITIES	\$	53,255 1230	\$	0 1450	\$	53,255 1760
<u>Ownership Equity</u>						
21. Sole proprietorship					\$	0 1770
22. Partnership (limited partners)	\$	0 1020				0 1780
23. Corporation:						
A. Preferred stock					0	1791
B. Common stock					205,000	1792
C. Additional paid-in capital					1,000	1793
D. Retained earnings					952,802	1794
E. Total					1,158,802	1795
F. Less capital stock in treasury					0	1796
24. TOTAL OWNERSHIP EQUITY	\$				1,158,802	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY	\$				1,212,057	1810

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc. **as of:** December 31, 2006

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition	\$ 1,158,802	3480	
2. Deduct ownership equity not allowable for net capital	0	3490	
3. Total ownership equity qualified for Net capital	1,158,802	3500	
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation in net capital	0	3520	
B. Other (deductions) or allowable credits (List)	0	3525	
5. Total capital and allowable subordinated liabilities	1,158,802	3530	
6. Deductions and/or charges:			
A. Total non-allowable assets from Statement of Financial Condition [Notes B and C]	\$ 420,497	3540	
B. Secured demand note deficiency	0	3590	
C. Commodity futures contracts and spot commodities proprietary capital charges	0	3600	
D. Other deductions and/or charges	0	3610	
		(420,497)	3620
7. Other additions and/or allowable credits (List)		0	3630
8. Net Capital before haircuts on securities positions		738,305	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$ 0	3660	
B. Subordinated securities borrowings	0	3670	
C. Trading and investment securities:			
1. Exempted securities	0	3735	
2. Debt securities	0	3733	
3. Options	0	3730	
4. Other securities	0	3734	
D. Undue concentration	0	3650	
E. Other (list)	0	3736	
		0	3740
10. Net Capital	\$ 738,305	3750	

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc.

**as of:** December 31, 2006

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

<b>Part A</b>	
11. Minimum net capital required (6-2/3% of line 19)	\$ 3,550 3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ 100,000 3758
13. Net capital requirement (greater of line 11 or 12)	\$ 100,000 3760
14. Excess net capital (line 10 less 13)	\$ 638,305 3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$ 732,980 3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	\$ 53,255 3790
17. Add:	
A. Drafts for immediate credit	\$ 0 3800
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$ 0 3810
C. Other unrecorded amounts (List)	\$ 0 3820
19. Total aggregate indebtedness	\$ 53,255 3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	% 7.21 3850
21. Percentage of debt to debt-equity total computed in accordance with rule 15c3-1 (d)	% 0.00 3860

**COMPUTATION OF ALTERNATIVE NET CAPITAL REQUIREMENT**

<b>Part B</b>	
22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$ 0 3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ 0 3880
24. Net capital requirement (greater of line 22 or 23)	\$ 0 3760
25. Excess net capital (line 10 less line 24)	\$ 0 3910
26. Net capital in excess of the greater of:	
A. 5% of combined aggregate debit items or 120% of minimum Net Capital Requirement	\$ 0 3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**PART II-FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc.

For the period from 01/01/2006 3932 to 12/31/2006 3933  
 Number of months included in this statement 12 3931

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

1. Commissions			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	0	3935
b. Commissions on listed option transactions		0	3938
c. All other securities commissions		0	3939
d. Total securities commissions		0	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange		(11,250)	3945
b. From all other trading		0	3949
c. Total gain (loss)		(11,250)	3950
3. Gains or losses on firm securities investment accounts		0	3952
4. Profit or (loss) from underwriting and selling groups		0	3955
5. Revenue from sale of investment company shares		0	3970
6. Commodities revenue		0	3990
7. Fees for account supervision, investment advisory and administrative services		3,251,696	3975
8. Other revenue		0	3995
9. Total revenue	\$	3,240,446	4030

**EXPENSES**

10. Salaries and other employment costs for general partners, and voting stockholder officers	\$	530,504	4120
11. Other employee compensation and benefits		924,415	4115
12. Commissions paid to other broker-dealers		380,825	4140
13. Interest expense		292	4075
a. Includes interest on accounts subject to subordination agreements	0	4070	
14. Regulatory fees and expenses		363,081	4195
15. Other expenses		773,325	4100
16. Total expenses	\$	2,972,442	4200

**NET INCOME**

17. Income (loss) before Federal income taxes and items below (Item 9 less item 16)	\$	268,004	4210
18. Provision for Federal income taxes (for parent only)		0	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		515	4222
a. After Federal income taxes of	0	4238	
20. Extraordinary gains (losses)		0	4224
a. After Federal income taxes of	0	4239	
21. Cumulative effect of changes in accounting principles		0	4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$	268,519	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	0	4211
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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT**  
**Part IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc.

For the period from 1/1/2006 to 12/31/2006

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY**  
**(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period			\$	1,037,775	4240
A. Net income (loss)				268,519	4250
B. Additions (Includes non-conforming capital of	\$	0	4262		4260
C. Deductions (Includes non-conforming capital of	\$	(147,492)	4272	(147,492)	4270
2. Balance, end of period (From item 1800)			\$	1,158,802	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED**  
**TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period			\$	0	4300
A. Increases				0	4310
B. Decreases				0	4320
4. Balance, end of period (From item 3520)			\$	0	4330

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** M.E.B. Options, Inc. **as of:** December 31, 2006

**Exemptive Provision Under Rule 15c3-3**

25. Identify below the section upon which an exemption from Rule 15c3-3 is claimed:

A. (k) (1) - \$2,500 capital category as per Rule 15c3-1	0	4550
B. (k) (2)(A) - "Special Account for the exclusive Benefit of customers" maintained	0	4560
C. (k) (2) (B) - All customer transactions cleared through another broker-dealer on a fully disclosed basis Name of clearing firm		
		4335
D. (k) (3) - Exempted by order of the Commission	0	4570
	0	4580

**Ownership Equity and Subordinate Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital**

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be With-drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
4600		4601	4602	4603	4604
			4699*		4605

\*To agree with the total on Recap (Item No. 4880)

**Instructions:** Detail listing must include the total of items maturing during the six month period following the report data, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv), which could be required by the lender on demand or in less than six months

**WITHDRAWAL CODE: DESCRIPTIONS**

1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER: M.E.B. Options, Inc.

as of: 12/31/2006

EXCHANGE SUPPLEMENTARY INFORMATION

1. Capital to be withdrawn within 6 months	0	8000
2. Subordinated Debt maturing within 6 months	0	8010
3. Subordinated Debt due to mature within 6 months that you plan to renew	0	8020
4. Amount of Customer Risk Maintenance Margin Requirement	0	8030
5. Amount of Noncustomer Risk Maintenance Margin Requirement	0	8040
6. Additional capital requirement for excess margin on Reverse Repurchase Agreements	0	8045

If Adjusted Net Capital is less than \$2,000,000 please complete the following:

7. Number of Associated Persons	0	8100
8. Number of Branch Offices	0	8110
9. Number of Guaranteed Introducing Brokers	0	8120
10. Number of Guaranteed Introducing Broker Branch Offices	0	8130

General Comments:

BROKER OR DEALER:

M.E.B. Options, Inc.

as of: December 31, 2006

STATEMENT DETAILS

M.E.B. OPTIONS, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash flows from operating activities:		
Net income (loss)		\$268,519
		-----
Adjustments to reconcile net income (loss)		
to net cash provided by (used in) operating		
activities:		
Decrease (increase) in operating assets:		
Equity trading account	5,107	
Accounts receivable	(101,551)	
Increase (decrease) in operating		
liabilities:		
Accounts payable	24,432	
Total adjustments		(72,012)
		-----
Net cash provided by (used in) operating		196,507
		-----
Cash flows from investing activities:		
Dividends paid	(147,492)	
		-----
Net cash provided by (used in) financing		
activities:		
		(147,492)
		-----
Net increase (decrease) in cash and cash		
equivalents		
		49,015
Cash and cash equivalents at beginning of period		
		448,577
		-----
Cash and cash equivalents at end of period		
		\$497,592
		=====

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense	\$	0
Income taxes	\$	0

Disclosure of accounting policy:

For purposes of the statement of cash flows, the Company considers cash equivalents to include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

M.E.B. OPTIONS, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. NATURE OF BUSINESS - M.E.B. Options, Inc. (the "Company") is registered with the Chicago Board Options Exchange (CBOE) as a Broker Dealer and a member of the Option Exchange. The Company conducts business which includes, but is not limited to, soliciting or accepting orders for the purchase or sale of any option for future delivery on or subject to the rules of any contract market.
- B. PROPERTY AND EQUIPMENT - For both financial reporting and income tax purposes, assets acquired after 1986 are depreciated using the M.A.C.R.S.METHOD. It is management's opinion that the economic life of the fixed assets additions approximates the life used under M.A.C.R.S.
- C. INCOME RECOGNITION - Commissions earned on option transactions and related commission expense are recorded on the date of the "per contract", which is the date the option position are closed.
- D. SECURITIES OWNED - Securities owned are valued at approximate market or quoted values and the resulting unrealized gains or losses are reflected in income.
- E. INCOME TAXES - The Company elected by unanimous consent of its shareholders to be taxed under the provisions of Chapter S of the Internal Revenue Code. Under those provisions, the company does not pay Federal corporate income taxes on its taxable income. Instead, shareholders are liable for individual Federal income taxes on their respective shares of the Company's taxable income.
- F. ACCOUNTING METHOD - The Company is on the accrual method of accounting.
- G. USE OF 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.

NOTE 2 - NET CAPITAL REQUIREMENTS:

The Company is subject to the minimum capital requirements of the Chicago Board Option Exchange and pursuant to the regulations under the Commodity Exchange Act, as amended. At December 31, 2006 the applicable capital requirement has been exceeded.

M.E.B. OPTIONS, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006

NOTE 3 - OPERATING LEASES:

The Company leases two seats on the option floor on a month-to-month basis. Total rent expense for 2006 for seats rental was \$119,581.

The company leases office space on a month-to-month basis. Total rent expense for 2006 for office space was \$55,509.

NOTE 4 - 401 (k) PLAN:

The company maintains a 401(k) plan for eligible employees. The company is not required to make any contributions to the plan.

NOTE 5 - INVESTMENT IN M.E.B. FUTURES, INC.

The company owns 100% of the outstanding stock of M.E.B. Futures, Inc. For the year ended December 31, 2006 all transactions have been recorded and consolidated on the M.E.B. Options. books.

NOTE 6 - REVENUE CONCENTRATIONS:

The company has one major customer which represents approximately 50% of the companies sales volumn.



Reifler • Sharps • Schuetz • Ltd.  
Certified Public Accountants

Board of Directors  
M.E.B. Options, Inc.  
Chicago, Illinois

In planning and performing our audit of the financial statements of M.E.B. Options, Inc. (the Company) for the year ended December 31, 2006, we considered its internal control structure, including procedures 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 the internal control.

Also, as required by Rule 17-5(g) (1) of the Securities and Exchange Commission, (SEC) we have made a study of the practices and procedures followed by the Company including test of such practices and procedures that we considered relevant to the objectives stated in the rule 17a-5(g) in making the periodic computation 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 related 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 recordation of difference 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 the fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Corporation is responsible for establishing and maintaining an internal control structure 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 structure 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 an internal

control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Corporation 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-5g list additional objectives of the practices and procedures in the preceding paragraph.

Because of inherent limitations in any internal control structure 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.

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 one or more of the 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, which 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 and 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, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, and SEC the NFA, 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 these specified parties.

*Reifler Sharps Schuetz, Ltd.*  
REIFLER SHARPS SCHUETZ, LTD.

February 26, 2007

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