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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**

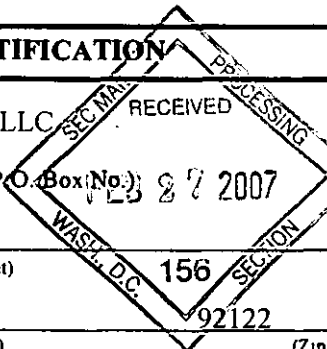
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B- 50093

**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 January 1, 2006 AND ENDING December 31, 2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Pacific American Securities, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box (No.)) 9191 Towne Center Drive, Suite 406
San Diego California
(City) (State) (Zip Code)
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Constance L. Gibbs (858) 320-2850
(Area Code - Telephone Number)



OFFICIAL USE ONLY
FIRM I.D. NO.

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Breard & Associates, Inc. Certified Public Accountants
(Name - if individual, state last, first, middle name)
9221 Corbin Avenue, Suite 170 Northridge, CA 91324
(Address) (City) (State) (Zip Code)

CHECK ONE:
 Certified Public Accountant
 Public Accountant
 Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 13 2007
THOMSON
FINANCIAL

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*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, Michelle M. Schoeffel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pacific American Securities, LLC, as of December 31, 2006, 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:

Michelle M. Schoeffel
Signature

State of CALIFORNIA
County of SAN DIEGO

President/CEO
Title

Subscribed and sworn (or affirmed) to before me this 21st day of February, 2007
[Signature]
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 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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Pacific American Securities, LLC:

We have audited the accompanying statement of financial condition of Pacific American Securities, LLC (a California Single Member Limited Liability Company) as of December 31, 2006, and the related statements of income, changes in member'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 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 Pacific American Securities, LLC as of December 31, 2006, 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 examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III 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 and Exchange Commission 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 respect in relation to the basic financial statements taken as a whole.

Breard & Associates, Inc.

Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 24, 2007

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Pacific American Securities, LLC
Statement of Financial Condition
December 31, 2006

Assets

Cash and cash equivalents	\$ 1,139,575
Deposit with clearing organization	100,000
Receivable from brokers and dealers	516,526
Marketable securities, at market	70,526
Receivable from related parties	58,116
Receivables – other	45,914
Furniture and equipment, net	28,680
Prepaid expenses	115,075
Deposits	12,763
Other assets	1,100
Goodwill, net	<u>415,455</u>
Total assets	<u>\$ 2,503,730</u>

Liabilities and Member's Equity

Liabilities

Accounts payable and accrued expenses	\$ 347,252
Payable to brokers, dealers, and clearing organizations	184,371
Loans payable	<u>59,472</u>

Total liabilities 591,095

Member's equity 1,912,635

Total liabilities and member's equity **\$ 2,503,730**

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

Pacific American Securities, LLC
Statement of Income
For the Year Ended December 31, 2006

Revenue

Commission income	\$ 8,089,156
Investment gains (losses), net	(6,443)
Interest income	84,415
Other income	<u>12,550</u>
Total revenue	8,179,678

Expenses

Employee compensation and benefits	1,319,490
Commissions, trading fees and floor brokerage	4,917,690
Communications	114,054
Occupancy & equipment rental	249,751
Interest expense	7,217
Taxes, licenses and fees, other than income taxes	156,394
Other operating expenses	<u>1,379,097</u>
Total expenses	<u>8,143,693</u>

Net income before income tax provision 35,985

Income tax provision 800

Net income \$ 35,185

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

Pacific American Securities, LLC
Statement of Changes in Member's Equity
For the Year Ended December 31, 2006

Balance at December 31, 2005	\$ 2,205,240
Distributions to member	(327,790)
Net income	<u>35,185</u>
Balance at December 31, 2006	<u>\$ 1,912,635</u>

The accompanying notes are an integral part of these financial statements

Pacific American Securities, LLC
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:

Net income	\$	35,185
Adjustments to reconcile net income to net cash and cash equivalent provided by (used in) operating activities:		
Depreciation	\$	18,456
Valuation of marketable securities to market		(19,077)
(Gain) loss on sale of marketable securities		22,220
Realized loss on securities, not readily marketable		3,300
(Increase) decrease in assets:		
Receivable from brokers and dealers		216,305
Receivable from related parties		(46,116)
Receivables – other		(45,159)
Prepaid expenses		62,570
Deposits		961
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses		(544,722)
Payable to brokers and dealers		<u>(33,030)</u>
Total adjustments		<u>(364,292)</u>
Net cash and cash equivalents provided by (used in) operating activities		(329,107)
Cash flows from investing activities:		
Proceeds from sale of marketable securities		3,990
Purchase of marketable securities		(15,285)
Purchase of furniture and equipment		<u>(12,487)</u>
Net cash and cash equivalents provided by (used in) investing activities		(23,782)
Cash flows from financing activities:		
Repayment of loans payable		(44,604)
Distributions to member		<u>(327,790)</u>
Net cash and cash equivalents provided by (used in) financing activities		(372,394)
Net increase (decrease) in cash and cash equivalents		(725,283)
Cash and cash equivalents beginning of year		<u>1,864,858</u>
Cash and cash equivalents end of year		<u><u>\$ 1,139,575</u></u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$	7,217
Income taxes	\$	12,590

The accompanying notes are an integral part of these financial statements

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Pacific American Securities, LLC (the "Company") was organized in the State of California on February 19, 1997, as a broker/dealer in securities under the Securities and Exchange Act of 1934. On April 1, 1999, the Company became a Delaware Single Member Limited Liability Company. The Company is a wholly-owned subsidiary of Pacific American Services Group, LLC (the "Parent"), a member of the National Association of Securities Dealers, Inc. ("NASD"), and the Securities Investor Protection Corporation ("SIPC").

The Company operates as a broker/dealer for customers, who are predominately institutional investors, on a fully disclosed basis, whereby the Company does not hold customer funds or securities. The Company also provides soft dollar services by engagement, and trades securities for its own account.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions and related commission revenues and expenses are recorded on a settlement date basis. Accounting principles generally accepted in the United States of America require transactions to be recorded on a trade date basis, however there is no material difference between trade date and settlement date for the Company.

For purposes relating to 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. The Company also includes money market accounts as cash equivalents.

Receivable from brokers and dealers are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Marketable securities owned by the Company are accounted for at market value, with market value based on current published market prices. The resulting difference between cost and market (or fair value) is included in income.

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Furniture and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture and equipment are depreciated over their estimated useful lives ranging from three (3) to seven (7) years by the straight-line method.

The Company provides research to certain customers pursuant to soft-dollar arrangements. The value of the research to be provided is based on a percentage of commission income received from the customer. The research is typically purchased by the Company from third parties. A liability is recorded for research due to customers based on commission income received.

Advertising costs are expensed when incurred. Advertising expenses for the year ended December 31, 2006 was \$32,564.

The Company is organized as a single member limited liability company for federal and state income tax purposes. Pursuant to this tax organization, the Company is treated as a disregarded entity for federal and state income taxes, since such taxes, if any, are the responsibility of its member. However, the Company is subject to a California limited liability company fee, and a gross receipts tax.

Note 2: MARKETABLE SECURITIES, AT MARKET

Marketable securities, at market value consist of corporate stocks. At December 31, 2006, the stocks are recorded at their fair market value of \$70,526. The accounting for the mark-to-market on the proprietary trading is included in income as net unrealized gains of \$19,077, and net realized losses of \$25,520.

Note 3: DEPOSIT WITH CLEARING ORGANIZATION

The Company has deposited \$100,000 in cash, with Pershing LLC, A BNY Securities Group, Co., as security for its transactions with them. Interest is paid monthly on the cash balances at the average overnight repurchase agreement rate.

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 4: FURNITURE AND EQUIPMENT, NET

Furniture and equipment consists of the following:

Furniture & fixtures	\$ 55,115
Machinery & equipment	<u>270,841</u>
	325,956
Accumulated depreciation	<u>(297,276)</u>
Total furniture and equipment, net	<u>\$ 28,680</u>

Depreciation expense for the year ended December 31, 2006 was \$18,456.

Note 5: PREPAID EXPENSES

The Company has included prepaid insurance, licenses and legal fees, and soft-dollar research advances in prepaid expenses. The balances are either amortized over the term of the license or policy, or expensed when services are performed or incurred.

Note 6: GOODWILL, NET

Goodwill represents the unamortized cost of acquiring the net assets, of another broker/dealer, in excess of the appraised value of such assets, at the date of acquisition.. The goodwill is tested annually for impairment using guidelines set forth in Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142"). The Company believes that no impairment existed at December 31, 2006.

Before adopting SFAS 142, the Company had previously amortized \$169,028 of the original goodwill using straight-line amortization.

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 7: LOANS PAYABLE

In the year 2002 the Company entered into a Revolving Credit Agreement with its bank for up to \$250,000. The Agreement allowed the Company to draw on the credit up to April 15, 2003, at which time the outstanding balance would be converted to a five-year term loan. The Agreement is guaranteed by the Parent, secured by the assets of the Company, and requires the maintenance of certain financial covenants, including maintaining a compensating balance of three (3) times the commitment amount. Interest on the outstanding balance is accrued at three-quarter (0.75) percentage points above prime, currently 6.0%.

Estimated future principal payments on this loan are as follows:

<u>December 31,</u>	
2007	\$ 44,604
2008	14,868
2009 & thereafter	<u>—</u>
Total	<u>\$ 59,472</u>

Note 8: INCOME TAXES

As discussed in Note 1, the Company is treated as a disregarded entity for Federal and State income tax purposes. The Company's income and expenses are included in the tax returns of the Company's Parent. A portion of the consolidated income tax liability is allocated to the Company as if the Company had filed separate income tax returns. However, for tax purposes the Parent is treated like a partnership, therefore in lieu of business income taxes, the members of the Parent are taxed on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

The Company is subject to a limited liability company gross receipts tax, with a minimum provision of \$800. The income tax provisions consist of the following:

Franchise tax	\$ 800
Gross receipts tax	<u>—</u>
Total income tax provision	<u>\$ 800</u>

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 9: RELATED PARTY TRANSACTIONS

Pacific American Services Group, LLC (the "Parent"), is the holding company for Pacific American Securities, LLC and Pacific American Advisors, LLC ("Advisors"). The Company has entered into a written agreement with the Parent and Advisors, whereby the Company and Advisors reimburse the Parent on a ratio of two-thirds/one-third, respectively, for common office space and expenses.

Advisors provides the Company with accounting services.

Note 10: PROFIT SHARING PLAN

Effective January 1, 2002, the Company adopted a 401(K) Profit Sharing Plan (the "Plan"). All employees, after ninety days of employment and 21 years of age or older, are eligible to participate in the Plan. The Plan allows participants to make pretax contributions that are matched by the Company. The Company's profit sharing contributions and matching contributions are discretionary. For the year ended December 31, 2006, the Company did not make any contributions.

Note 11: COMMITMENTS AND CONTINGENCIES

Commitments

The Company has entered into various non-cancelable leases for office equipment. The leases are for varying terms. The minimum annual payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2007	\$ 78,871
2008	73,650
2009	50,093
2010	32,850
2011	10,950
2012 & thereafter	<u> —</u>
	<u>\$ 246,414</u>

Contingencies

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Corporation ("FDIC"), up to \$100,000, or the Securities Investor Protection Corporation ("SIPC"), up to \$500,000. At times during the year ended December 31, 2006, cash balances held in financial institutions were in excess of the FDIC's insured limits. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financial institutions which are financially stable.

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is measurement of any tax position that meets the more-likely-than-not recognition threshold to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and results of operations. However, the impact is not expected to be material.

In September 2006, the FASB issued Statement of Accounting Financial Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 157 is not expected to have a material effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements Nos. 87, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company's equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 158 is not expected to have a material effect on the Company's financial statements.

Pacific American Securities, LLC
Notes to Financial Statements
December 31, 2006

Note 13: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2006, the Company's net capital of \$1,224,929, exceeded the minimum net capital requirement of \$100,000 by \$1,124,929 and the Company's ratio of aggregate indebtedness (\$591,095) to net capital was 0.48 to 1, which is less than the 15 to 1 maximum ratio allowed of a broker/dealer.

Pacific American Securities, LLC
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2006

Computation of net capital

Member's equity \$ 1,912,635

Less: Non allowable assets

Receivable from related parties	\$ (58,116)	
Receivable—other	(45,914)	
Furniture and equipment, net	(28,680)	
Prepaid expenses	(115,075)	
Deposits	(12,763)	
Goodwill, net	(415,455)	
Other assets	<u>(1,100)</u>	
Total adjustments		<u>(677,103)</u>

Net capital before haircuts on securities 1,235,532

Less: Haircuts

Haircuts on marketable securities	(10,579)	
Haircuts on money markets	<u>(24)</u>	
Total haircuts		<u>(10,603)</u>

Net Capital 1,224,929

Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 39,406
Minimum dollar net capital required	<u>\$ 100,000</u>

Net capital required (greater of above) 100,000

Excess net capital **\$ 1,124,929**

Ratio of aggregate indebtedness to net capital 0.48 : 1

There was an immaterial difference of \$1 between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2006 due to rounding.

See independent auditor's report.

Pacific American Securities, LLC
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2006

A computation of reserve requirements is not applicable to Pacific American Securities, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Pacific American Securities, LLC
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2006

Information relating to possession or control requirements is not applicable to Pacific American Securities, LLC, as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Pacific American Securities, LLC
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2006

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Board of Directors
Pacific American Securities, LLC:

In planning and performing our audit of the financial statements of Pacific American Securities, LLC (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included 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 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

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

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Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than that inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, 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, National Association of Securities Dealers, Inc., 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.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 24, 2007