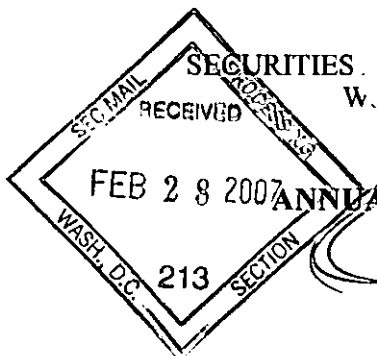




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SEC FILE NUMBER

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

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:
CUNA Brokerage Services, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

2000 Heritage Way

(No. and Street)

Waverly

(City)

IA

(State)

50677

(Zip Code)

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

Sheila M. Kittleson319-483-3060

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

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

111 South Wacker Dr.

(Address)

Chicago

(City)

IL

(State)

60606

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

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

PROCESSED

MAR 21 2007

J 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). SEC 1410 (06-02)

3/20

OATH OR AFFIRMATION

I, Sheila M. Kittleson, swear that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to CUNA Brokerage Services, Inc. (the "Company") for the year ended December 31, 2006 are true and correct. I further swear 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.

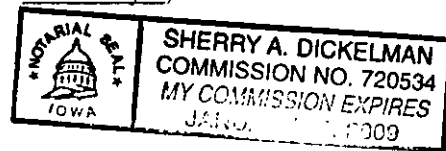
Sheila Kittleson
Signature

February 23, 2007
Date

Financial Operations Principal
Title

Subscribed and sworn to before me this 23 day of February, 2007.

Sherry A. Dickelman
Notary Public



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

- (x) (a) Facing Page.
- (x) (b) Statement of Financial Condition.
- (x) (c) Statement of Income.
- (x) (d) Statement of Changes in Financial Condition (Statement of Cash Flows).
- (x) (e) Statement of Changes in Stockholder's Equity.
- () (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors.
- (x) (g) Computation of Net Capital.
- (x) (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.
- (x) (j) A Reconciliation, including Appropriate Explanations of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3 (included in (g) above).
- () (k) A Reconciliation between the Audited and Unaudited Statements of Financial Condition with Respect to Methods of Consolidation.
- (x) (l) An Oath or Affirmation.
- () (m) Copy of the SIPC Supplemental Report (Not Required).
- (x) (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CUNA Brokerage Services, Inc.:

We have audited the following financial statements of CUNA Brokerage Services, Inc. (the "Company"), a wholly-owned subsidiary of CUNA Mutual Investment Corporation, which is wholly-owned by CUNA Mutual Insurance Society, for the year ended December 31, 2006, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Statement of Financial Condition	3
Statement of Income	4
Statement of Changes in Stockholder's Equity	5
Statement of Cash Flows	6

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedules of CUNA Brokerage Services, Inc. as of December 31, 2006, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under Securities Exchange Act of 1934:

	Page
Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934	12
Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934	13

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

February 23, 2007

CUNA BROKERAGE SERVICES, INC.

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2006

	2006
ASSETS:	
Cash and cash equivalents	\$ 6,927,146
Security, at fair value	1,578,934
Receivable for commissions	2,281,962
Receivable for mutual fund managed by affiliate	401,781
Receivable from clearing organizations	15,822
Deposits from clearing organizations	<u>120,000</u>
TOTAL ASSETS	<u>\$ 11,325,645</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	
LIABILITIES:	
Commissions payable to non-affiliates	\$ 2,429,770
Commissions payable to affiliates	1,763,356
Accounts payable to affiliates, net	1,084,410
Income taxes payable to affiliates	202,955
Other liabilities	<u>29,976</u>
Total liabilities	<u>5,510,467</u>
STOCKHOLDER'S EQUITY:	
Common stock, no par value with a \$300 stated value; 2,000,000 shares authorized; 765 issued and outstanding	229,500
Retained earnings	<u>5,585,678</u>
Total stockholder's equity	<u>5,815,178</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 11,325,645</u>

See accompanying notes to financial statements.

CUNA BROKERAGE SERVICES, INC.

STATEMENT OF INCOME DECEMBER 31, 2006

	2006
REVENUES:	
Commission and fees	\$80,884,404
Trading reimbursements	860,712
Interest and dividends	527,886
Unrealized gain on investments	105,167
Other	<u>1,299,010</u>
Total revenues	<u>83,677,179</u>
EXPENSES:	
Commissions paid to affiliates	42,828,544
Commission paid to non-affiliates	26,876,605
Clearing	1,221,934
Contracted services from affiliates	6,714,035
Other	<u>46,631</u>
Total expenses	<u>77,687,749</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	5,989,430
PROVISION FOR INCOME TAXES	<u>2,332,431</u>
NET INCOME	<u>\$ 3,656,999</u>

See accompanying notes to financial statements.

CUNA BROKERAGE SERVICES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2006

	CAPITAL STOCK		RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT		
BALANCE AT JANUARY 1, 2006	765	\$ 229,500	\$4,928,679	\$5,158,179
Net income	-	-	3,656,999	3,656,999
Dividend to parent	-	-	(3,000,000)	(3,000,000)
BALANCE AT DECEMBER 31, 2006	<u>765</u>	<u>\$ 229,500</u>	<u>\$5,585,678</u>	<u>\$5,815,178</u>

See accompanying notes to financial statements.

CUNA BROKERAGE SERVICES, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2006

	2006
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 3,656,999
Adjustments to reconcile net income to net cash provided by operating activities:	
Unrealized gain on investments	(105,167)
Dividends earned and reinvested	(33,109)
Change in assets and liabilities:	
Receivable for commissions	(495,595)
Receivable from mutual funds managed by affiliate	99,892
Receivable from clearing organizations	42,387
Commissions payable to non-affiliates	510,585
Commissions payable to affiliates	886,254
Accounts payable to affiliates - net	628,858
Income taxes payable to affiliates	54,506
Other liabilities	3,727
Net cash provided by operating activities	<u>5,249,337</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Dividend paid to parent	<u>(3,000,000)</u>
Net cash used by financing activities	<u>(3,000,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,249,337
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,677,809</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,927,146</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid to affiliate for income tax	<u>\$ 2,277,813</u>

See accompanying notes to financial statements.

CUNA BROKERAGE SERVICES, INC.

Notes to Financial Statements

for the Year Ended December 31, 2006

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

CUNA Brokerage Services, Inc. ("CBSI" or the "Company") is a wholly-owned subsidiary of CUNA Mutual Investment Corporation ("CMIC"), which is wholly-owned by CUNA Mutual Insurance Society ("CMIS"). CMIS is a life insurer domiciled in Wisconsin. Effective July 1, 1990, CMIS entered into a permanent affiliation with CUNA Mutual Life Insurance Company ("CMLIC"), an Iowa life insurer. The Company is registered with the Securities and Exchange Commission ("SEC") as a registered broker-dealer and is a member of the National Association of Securities Dealers, Inc. ("NASD") and subject to regulations under the Securities Exchange Act of 1934. The Company is utilized as a marketing vehicle for mutual funds, unit investment trusts, variable annuities, flexible premium variable life insurance, public limited partnerships, financial planning and discount brokerage services. Brokerage services are provided primarily to credit union members. Certain investment advisory services are provided to the Company's customers by MEMBERS Capital Advisors, Inc. ("MCA"), an affiliated registered investment advisor that is jointly owned by CMIC and CMLIC. The Company has entered into an agreement with an unrelated broker-dealer to process and clear all of the Company's securities transactions. The Company regularly monitors the creditworthiness of this clearing broker to mitigate the Company's exposure to credit risk.

The results of the Company are affected by its relationships with CMIC, including its parent company and its affiliates as described above. Items affected are further described in Note 5. The results of the Company's operations may have materially differed from the results recorded had these items been transacted with unrelated parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Cash and Cash Equivalents—Cash and cash equivalents include all liquid investments with original maturities of three months or less. The carrying values approximate fair values due to the short-term maturities of these investments.

Security—The Company's investment in a security consists of an investment in the MEMBERS Balanced Fund, a registered investment company managed by MCA. It is reported at fair value, with changes in unrealized gains and losses included in earnings.

Receivables and Commissions Payable—Receivables primarily represent commissions due to the Company from the sale of financial products. Commissions payable represent amounts due to the Company's sales representatives in connection with such sales.

Fair Value of Financial Instruments—The carrying amount of receivable for commissions and from mutual fund, clearing organizations, commissions payable, accounts payable, accrued liabilities, and income taxes approximates fair value due to the short maturity of those instruments.

CUNA BROKERAGE SERVICES, INC.

Notes to Financial Statements

for the Year Ended December 31, 2006

Securities Transactions—Securities transactions for the Company's customers are executed and cleared by an independent clearing agent on a fully disclosed basis. Customers' securities transactions are reported on a settlement date basis with related commission revenue and expenses reported on a trade-date basis. Fees paid to the clearing agent are recorded as expenses when incurred.

Direct Mutual Fund and Insurance Contracts—Commission revenue and expense related to customers' mutual fund and insurance investments transacted directly with investment companies and insurance companies are recorded on an accrual basis and are included in commissions and fees revenues and commissions expenses in the financial statements.

Income Taxes—Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. The expected tax effects are computed at the current federal tax rate. At December 31, 2006, the Company had no significant temporary differences.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP 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.

Emerging Accounting Matters—In 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 provides consistent guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the new statement and is not yet able to determine the impact on its statement of financial condition and statement of income at this time.

In 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"), effective for fiscal years beginning after November 15, 2007. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of this statement, except for the provisions relating to the valuation of debt and equity securities, apply only to entities that elect the fair value option. The Company is currently evaluating the new statement and is unable to determine the impact on its statement of financial condition and statement of income at this time.

CUNA BROKERAGE SERVICES, INC.

Notes to Financial Statements

for the Year Ended December 31, 2006

In June 2006, the Financial Accounting Standards Board ("FASB"), issued FASB interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*. This interpretation clarifies the recognition for uncertain tax positions should be based on a more-likely-than-not threshold that the tax position will be sustained. The tax position is measured as the amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The effective date is January 1, 2007 with the cumulative effect to be reported as an adjustment to beginning retained earnings in its first report for 2007. The Company is currently evaluating the new statement and is unable to determine the impact on its statement of financial condition and statement of income at this time.

3. INCOME TAXES

The Company is included in the consolidated life-nonlife federal income tax return with CMIS and its domestic subsidiaries. The Company has entered into a tax sharing agreement with CMIS and its subsidiaries under Reg. Section 1.1552-1(a)(1) and 1.1502-33(d)(3). The agreement provides that the allocation of tax expense between the Company and its subsidiaries is to be based on a ratio of each Company's federal income tax, as if it were filing a separate return, to the total federal income tax as calculated on the consolidated federal income tax return. Income tax credits are allocated to companies within the consolidated tax group based on the tax benefit which the consolidated tax group receives from each company.

Income tax expense attributable to income from operations is as follows:

	2006
Current tax expense:	
Federal	\$1,958,512
State	<u>373,919</u>
Total income tax expense	<u>\$2,332,431</u>

Income tax expense differs from the amount computed by applying the U.S. federal corporate income tax rate of 35% to income before income tax expense primarily due to the deductibility of state income taxes for federal purposes.

At December 31, 2006, the Company had no significant temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases.

4. NET CAPITAL REQUIREMENTS

The Company, as a registered broker-dealer in securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires maintenance of minimum net capital and requires that the ratio of "aggregate indebtedness" to "net capital" shall not exceed 15 to 1, as those terms are defined in Rule 15c3-1. At December 31, 2006, the Company had net capital under Rule 15c3-1 of \$5,000,742, which was \$4,633,377 in excess of its required net capital of \$367,365, and the Company's net capital ratio was 1.10 to 1.

CUNA BROKERAGE SERVICES, INC.

Notes to Financial Statements

for the Year Ended December 31, 2006

The Company has entered into a written agreement with its clearing firm which requires the clearing firm to perform a Proprietary Accounts of Introducing Brokers reserve computation with regard to all the assets of the Company held by the clearing firm. Consequently, \$105,000 out of \$120,000 of the Company's assets held on deposit at the clearing firm are treated as allowable assets for purposes of the Company's net capital computation.

5. RELATED-PARTY TRANSACTIONS

CMLIC and CMIS provide office space and equipment as well as administrative, accounting, legal, marketing and other services to CBSI. The CMLIC chargeback to CBSI is limited to 9% of revenues as defined in an agreement. Total expenses incurred by CBSI for these CMLIC agreed services were \$6,703,369 for the year ended December 31, 2006. Accounts payable at December 31, 2006 includes \$1,108,356 due to CMIS for expenses paid by CMIS on behalf of CBSI.

The Company pays commission expense directly to certain representatives and to CMLIC for commissions paid on behalf of the Company. Commission expenses incurred by the Company for reimbursement to CMLIC totaled \$42,828,544 during 2006, and is limited by agreement to 89% of the commissions received by CBSI on the underlying transaction. Commissions payable to affiliates at December 31, 2006 includes \$1,540,095 due to CMLIC.

MCA reimburses CBSI for commissions CBSI paid to representatives on sales of MEMBERS Mutual Fund (MMF) B Shares to customers of CBSI. CBSI also pays MCA for certain fees incurred on sales of MMF and other products. The net balance of these fees at December 31, 2006 is \$155,198 which is due to MCA and is included in commissions payable to affiliates. Related party balances from the above transactions are generally settled monthly.

6. COMMITMENTS AND CONTINGENCIES

Financial Instruments with Off-Balance Sheet Credit Risk—As a securities broker, the Company is engaged in buying and selling securities for a diverse group of customers including financial institutions. The Company introduces these customer transactions for clearance through an independent clearing agent on a fully disclosed basis.

The Company's exposure to credit risk associated with nonperformance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the Company's ability to liquidate the customer's collateral at an amount equal to the original contracted amount. Agreements between the Company and its clearing agents provide that the Company is obligated to assume any exposure related to such nonperformance by the Company's customers. The Company monitors its customer activity by reviewing information it receives from its clearing agent on a daily basis, and seeks to control the aforementioned risks by requiring the registered representatives to compensate the Company for nonperformance by the customer.

CUNA BROKERAGE SERVICES, INC.

Notes to Financial Statements

for the Year Ended December 31, 2006

The Company has provided a guarantee to their clearing broker. Under the agreement, the Company has agreed to indemnify the clearing broker for customers introduced by the Company that are unable to satisfy the terms of their contracts. At December 31, 2006, the Company has recognized a liability of \$30,186 to represent the deficit balances for customers introduced by the Company to its clearing agents at that date. This balance is included in other liabilities. The Company's potential future liability under these arrangements is not quantifiable. The Company has determined the likelihood that it will be required to make payments under this agreement is remote, therefore no additional contingent liability is carried on the balance sheet for these transactions.

Pending Litigation —The Company is a defendant in various legal actions arising out of the conduct of its business. In the opinion of management, the ultimate liability, if any, resulting from all such pending actions will not materially affect the financial position or results of operations of the Company.

* * * * *

CUNA BROKERAGE SERVICES, INC.

SUPPLEMENTAL SCHEDULE OF COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2006

Stockholder's equity	<u>\$ 5,815,178</u>
Deduct nonallowable assets:	
Receivable for mutual fund managed by affiliate	401,781
Deposits from clearing organizations	15,000
Receivables for commissions - related party receivable in excess of payables	<u>33,349</u>
Total nonallowable assets	<u>450,130</u>
Haircut on securities	<u>364,306</u>
Net capital	<u>5,000,742</u>
Amounts included in total liabilities which represent aggregate indebtedness:	
Commissions payable to non-affiliates	2,429,770
Commissions payable to affiliates	1,763,356
Accounts payable to affiliates, net	1,084,410
Income taxes payable to affiliates	202,955
Other liabilities	<u>29,976</u>
Total liabilities	<u>5,510,467</u>
Capital requirement:	
Minimum requirement (greater of \$50,000 or 6-2/3% of aggregate indebtedness)	<u>367,365</u>
Net capital in excess of requirement	<u>\$ 4,633,377</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

(INCLUDED IN PART IIA FORM X-17A-5 AS OF DECEMBER 31, 2006)

There is not difference between the net capital reported above and that reported in the Company's Part IIA (Unaudited) FOCUS report filed on January 23, 2007.

CUNA BROKERAGE SERVICES, INC.

SUPPLEMENTAL SCHEDULE OF COMPUTATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2006

The Company claims an exemption from the Rule 15c3-3 under Section (k)(2)(ii), as all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

February 23, 2007

CUNA Brokerage Services, Inc.
2000 Heritage Way
Waverly, Iowa 50677

In planning and performing our audit of the financial statements of CUNA Brokerage Services, Inc. (the "Company") as of and for the year ended December 31, 2006 (on which we issued our report dated February 23, 2007), 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 (the "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 compliance with 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 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 the 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 Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

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 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 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 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, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte + Touche LLP

END