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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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8-66587

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

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities and Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/06 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

Mufson Howe Hunter & Partners LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

1717 Arch Street, Suite 3230

(No. and Street)

Philadelphia  
(City)

PA  
(State)

19103  
(Zip Code)

PROCESSED

MAR 16 2007

THOMSON  
FINANCIAL

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

Joseph A. Romeo, CPA

(215) 569-2113

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Briggs, Bunting & Dougherty, LLP

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

Two Penn Center Plaza, Suite 820

(Address)

Philadelphia

(City)

PA

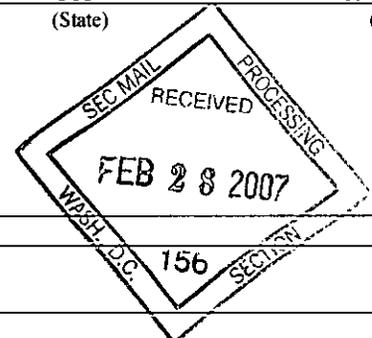
(State)

19102-1732

(Zip Code)

CHECK ONE:

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



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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).

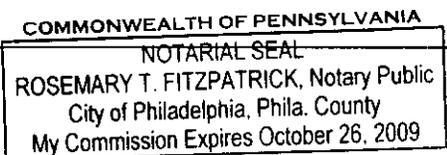
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MA

OATH OR AFFIRMATION

I, Mr. James T. Hunter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mufson Howe Hunter & Partners LLC, as of December 31, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Handwritten signature of James T. Hunter over a line, with the word 'Signature' printed below. Below that, the word 'TREASURER' is handwritten over another line, with the word 'Title' printed below.

Handwritten signature of Rosemary T. Fitzpatrick over a line, with the words 'Notary Public' printed below.

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

- Checkboxes for (a) Facing page, (b) Statement of Financial Condition, (c) Statement of Income (Loss), (d) Statement of Cash Flows, (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital, (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors, (g) Computation of Net Capital, (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3, (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3, (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3, (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation, (l) An Oath or Affirmation, (m) A Copy of the SIPC Supplemental Report, (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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



BRIGGS  
BUNTING &  
DOUGHERTY, LLP  
CERTIFIED  
PUBLIC  
ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

**To the Members**  
**Mufson Howe Hunter & Partners LLC**  
**Philadelphia, Pennsylvania**

We have audited the accompanying statement of financial condition of Mufson Howe Hunter & Partners LLC (a Delaware Limited Liability Corporation) as of December 31, 2006, and the related statements of income, changes in ownership 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 MHHP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Mufson Howe Hunter & Partners LLC as of December 31, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Pages 3, 4, and 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Briggs, Bunting & Dougherty, LLP*

**Philadelphia, Pennsylvania**  
**February 19, 2007**

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

BROKER OR DEALER **Mufson Howe Hunter & Partners LLC**

**N 3**

100

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

as of (MM/DD/YY) 12/31/06 **99**  
SEC FILE NO. 8-66587 **98**  
Consolidated  **198**  
Unconsolidated  **199**

**ASSETS**

**Allowable**

**Non-Allowable**

**Total**

|   |    |        |     |    |        |        |     |
|---|----|--------|-----|----|--------|--------|-----|
| 1. Cash.....  | \$ | 89,447 | 200 |    | \$     | 89,447 | 750 |
| 2. Receivables from brokers or dealers:   |    |        |     |    |        |        |     |
| A. Clearance account.....   |    |        | 295 |    |        |        |     |
| B. Other.....   |    |        | 300 | \$ | 9,018  | 550    | 810 |
| 3. Receivables from non-customers.....  |    |        | 355 |    |        | 600    | 830 |
| 4. Securities and spot commodities owned, at market value:  |    |        |     |    |        |        |     |
| A. Exempted securities.....   |    |        | 418 |    |        |        |     |
| B. Debt securities.....   |    |        | 419 |    |        |        |     |
| C. Options.....   |    |        | 420 |    |        |        |     |
| D. Other securities.....  |    |        | 424 |    |        |        |     |
| E. Spot commodities.....  |    |        | 430 |    |        |        | 850 |
| 5. Securities and/or other investments not readily marketable:  |    |        |     |    |        |        |     |
| A. At cost $\frac{2}{2}$ \$ <u>21,846</u>   |    |        |     |    |        |        |     |
| B. At estimated fair value.....   |    |        | 440 |    | 16,166 | 610    | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:.....                       |    |        | 460 |    |        | 630    | 880 |
| A. Exempted securities \$.....  |    |        |     |    |        |        |     |
| B. Other securities \$.....   |    |        |     |    |        |        |     |
| 7. Secured demand notes.....  |    |        | 470 |    |        | 640    | 890 |
| market value of collateral:   |    |        |     |    |        |        |     |
| A. Exempted securities \$.....  |    |        |     |    |        |        |     |
| B. Other securities \$.....   |    |        |     |    |        |        |     |
| 8. Memberships in exchanges:  |    |        |     |    |        |        |     |
| A. Owned, at market \$.....   |    |        |     |    |        |        |     |
| B. Owned, at cost.....  |    |        |     |    |        | 650    |     |
| C. Contributed for use of the company, at market value.....   |    |        |     |    |        | 660    | 900 |
| 9. Investments in and receivables from affiliates, subsidiaries and associates partnerships.....  |    |        | 480 |    |        | 670    | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization..... |    |        | 490 |    |        | 680    | 920 |
| 11. Other assets.....   |    |        | 535 |    | 7,060  | 735    | 930 |
| 12. <b>TOTAL ASSETS</b> .....   | \$ | 89,447 | 540 | \$ | 32,244 | 740    | 940 |

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*See accompanying notes*

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

**BROKER OR DEALER** Mufson Howe Hunter & Partners LLC

as of 12/31/06

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

**LIABILITIES AND OWNERSHIP EQUITY**

| <u>Liabilities</u>  | <u>A.I.<br/>Liabilities</u> | <u>Non-A.I.<br/>Liabilities</u> | <u>Total</u>   |
|---|-----------------------------|---------------------------------|----------------|
| 13. Bank loans payable .....  | \$ 1045                     | \$ 1255 <sup>13</sup>           | \$ 1470        |
| 14. Payable to brokers or dealers:  |                             |                                 |                |
| A. Clearance account .....  | 1114                        | 1315                            | 1560           |
| B. Other..... <sup>10</sup>   | 1115                        | 1305                            | 1540           |
| 15. Payable to non-customers.....   | 1155                        | 1355                            | 1610           |
| 16. Securities sold not yet purchased,<br>at market value.....                  |                             | 1360                            | 1620           |
| 17. Accounts payable, accrued liabilities,<br>expenses and other.....           | 46,751 1205                 | 1385                            | 46,751 1685    |
| 18. Notes and mortgages payable:  |                             |                                 |                |
| A. Unsecured .....  | 1210                        |                                 | 1690           |
| B. Secured..... <sup>12</sup>   | 1211                        | 1390 <sup>14</sup>              | 1700           |
| 19. Liabilities subordinated to claims<br>of general creditors:                 |                             |                                 |                |
| A. Cash borrowings.....   |                             | 1400                            | 1710           |
| 1. from outsiders <sup>9</sup> \$ .....   |                             |                                 |                |
| 2. Includes equity subordination (15c3-1(d))<br>of..... \$ .....                |                             |                                 |                |
| B. Securities borrowings, at market value.....<br>from outsiders \$ .....       |                             | 1410                            | 1720           |
| C. Pursuant to secured demand note<br>collateral agreements.....                |                             | 1420                            | 1730           |
| 1. from outsiders \$ .....  |                             |                                 |                |
| 2. Includes equity subordination (15c3-1(d))<br>of..... \$ .....                |                             |                                 |                |
| D. Exchange memberships contributed for<br>use of company, at market value..... |                             | 1430                            | 1740           |
| E. Accounts and other borrowings not<br>qualified for net capital purposes..... | 1220                        | 1440                            | 1750           |
| 20. TOTAL LIABILITIES .....   | \$ 46,751 1230              | \$ 1450                         | \$ 46,751 1760 |

**Ownership Equity**

|   |         |                 |
|---|---------|-----------------|
| 21. Sole proprietorship..... <sup>15</sup>            |         | \$ 1770         |
| 22. Partnership (limited partners)..... <sup>11</sup> | \$ 1020 | 74,940 1780     |
| 23. Corporation:                                      |         |                 |
| A. Preferred stock.....                               |         | 1791            |
| B. Common stock.....                                  |         | 1792            |
| C. Additional paid-in capital.....                    |         | 1793            |
| D. Retained earnings.....                             |         | 1794            |
| E. Total.....   |         | 1795            |
| F. Less capital stock in treasury..... <sup>16</sup>  |         | ( ) 1796        |
| 24. TOTAL OWNERSHIP EQUITY.....                       |         | \$ 74,940 1800  |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY.....       |         | \$ 121,691 1810 |

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*See accompanying notes*

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

**BROKER OR DEALER**    Mufson Howe Hunter & Partners LLC

as of 12/31/06

**COMPUTATION OF NET CAPITAL**

|     |   |        |            |      |
|-----|---|--------|------------|------|
| 1.  | Total ownership equity from Statement of Financial Condition .....                                    | \$     | 74,940     | 3480 |
| 2.  | Deduct ownership equity not allowable for Net Capital .....   |        | (          | 3490 |
| 3.  | Total ownership equity qualified for Net Capital .....  |        | 74,940     | 3500 |
| 4.  | Add:  |        |            |      |
| A.  | Liabilities subordinated to claims of general creditors allowable in computation of net capital ..... |        |            | 3520 |
| B.  | Other (deductions) or allowable credits (List) .....  |        |            | 3525 |
| 5.  | Total capital and allowable subordinated liabilities .....  | \$     | 74,940     | 3530 |
| 6.  | Deductions and/or charges: <span style="float: right;">17</span>                                      |        |            |      |
| A.  | Total nonallowable assets from Statement of Financial Condition (Notes B and C) \$                    | 32,244 |            | 3540 |
| B.  | Secured demand note deficiency .....  |        |            | 3590 |
| C.  | Commodity futures contracts and spot commodities-proprietary capital charges .....                    |        |            | 3600 |
| D.  | Other deductions and/or charges .....   |        |            | 3610 |
| 7.  | Other additions and/or allowable credits (List) .....   |        | ( 32,244 ) | 3620 |
| 8.  | Net capital before haircuts on securities positions .....   | \$     | 42,696     | 3640 |
| 9.  | Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):                          |        |            |      |
| A.  | Contractual securities commitments .....  | \$     |            | 3660 |
| B.  | Subordinated securities borrowings .....  |        |            | 3670 |
| C.  | Trading and investment securities:  |        |            |      |
| 1.  | Exempted securities .....   |        |            | 3735 |
| 2.  | Debt securities .....   |        |            | 3733 |
| 3.  | Options .....   |        |            | 3730 |
| 4.  | Other securities .....  |        |            | 3734 |
| D.  | Undue Concentration .....   |        |            | 3650 |
| E.  | Other (List) .....  |        |            | 3736 |
| 10. | Net Capital .....   | \$     | 42,696     | 3740 |
|     |   |        |            | 3750 |

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There was no difference between the audited and unaudited calculation of net capital pursuant to Rule 15c3-1.

*See accompanying notes*

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

**BROKER OR DEALER** Mufson Howe Hunter & Partners LLC

as of 12/31/06

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

|  |              |             |
|--|--------------|-------------|
| 11. Minimum net capital required (6-2/3% of line 19).....  | \$ 3,117     | <b>3756</b> |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)..... | \$ 5,000     | <b>3758</b> |
| 13. Net capital requirement (greater of line 11 or 12).....  | \$ 5,000     | <b>3760</b> |
| 14. Excess net capital (line 10 less 13).....  | \$ 37,696    | <b>3770</b> |
| 15. Excess net capital at 100% (line 10 less 10% of line 19).....  | 22 \$ 38,021 | <b>3780</b> |

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

|   |           |             |
|---|-----------|-------------|
| 16. Total A. 1. liabilities from Statement of Financial Condition.....                        | \$ 46,751 | <b>3790</b> |
| 17. Add:  |           |             |
| A. Drafts for immediate credit.....   | 21 \$ -   | <b>3800</b> |
| B. Market value of securities borrowed for which no equivalent value is paid or credited..... | \$ -      | <b>3810</b> |
| C. Other unrecorded amounts (List).....   | \$ -      | <b>3820</b> |
| 19. Total aggregate indebtedness.....   | \$ 46,751 | <b>3840</b> |
| 20. Percentage of aggregate indebtedness to net capital (line 19 $\div$ by line 10).....      | %         | <b>109</b>  |
| 21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d).....  | %         | <b>3760</b> |

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part 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..... | \$    | <b>3870</b> |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A).....  | 23 \$ | <b>3880</b> |
| 24. Net capital requirement (greater of line 22 or 23).....   | \$    | <b>3760</b> |
| 25. Excess net capital (line 10 less 24).....   | \$    | <b>3910</b> |
| 26. Net capital in excess of:<br>5% of combined aggregate debit items or \$120,000.....   | \$    | <b>3920</b> |

OMIT PENNIES

**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.

*See accompanying notes*

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

**BROKER OR DEALER** Mufson Howe Hunter & Partners LLC

For the period (MMDDYY) from 24 01/01/06 3932 to 12/31/06 3933  
Number of months included in this statement 12 3931

**COMPUTATION OF NET INCOME (LOSS)**

**REVENUE**

|    |   |         |      |      |
|----|---|---------|------|------|
| 1. | Commissions:  |         |      |      |
|    | a. Commissions on transactions in exchange listed equity securities executed on an exchange ..... | \$      |      | 3935 |
|    | b. Commissions on listed option transactions .....  | 25      | 3938 |      |
|    | c. All other securities commissions .....   |         | 3939 |      |
|    | d. Total securities commissions .....   |         | 3940 |      |
| 2. | Gains or losses on firm securities trading accounts   |         |      |      |
|    | a. From market making in options on a national securities exchange .....                          |         | 3945 |      |
|    | b. From all other trading .....   |         | 3949 |      |
|    | c. Total gain (loss) .....  |         | 3950 |      |
| 3. | Gains or losses on firm securities investment accounts .....                                      | (6,464) | 3952 |      |
| 4. | Profit (loss) from underwriting and selling groups .....  | 26      | 3955 |      |
| 5. | Revenue from sale of investment company shares .....  |         | 3970 |      |
| 6. | Commodities revenue .....   |         | 3990 |      |
| 7. | Fees for account supervision, investment advisory and administrative services .....               | 936,161 | 3975 |      |
| 8. | Other revenue .....   |         | 3995 |      |
| 9. | Total revenue .....   | 929,697 | 4030 |      |

**EXPENSES**

|     |  |    |         |      |
|-----|--|----|---------|------|
| 10. | Salaries and other employment costs for general partners and voting stockholder officers ..... |    |         |      |
|     |  | \$ |         | 4120 |
| 11. | Other employee compensation and benefits .....   | 27 | 420,796 | 4115 |
| 12. | Commissions paid to other broker-dealers .....   |    |         | 4140 |
| 13. | Interest expense .....   |    |         | 4075 |
|     | a. Includes interest on accounts subject to subordination agreements .....                     |    | 4070    |      |
| 14. | Regulatory fees and expenses .....   |    | 1,755   | 4195 |
| 15. | Other expenses .....   |    | 458,255 | 4100 |
| 16. | Total expenses .....   | \$ | 880,806 | 4200 |

**NET INCOME**

|     |   |    |        |      |
|-----|---|----|--------|------|
| 17. | Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) ..... |    |        |      |
|     |   | \$ | 48,891 | 4210 |
| 18. | Provision for Federal income taxes (for parent only) .....                                | 28 | -      | 4220 |
| 19. | Equity in earnings (losses) of unconsolidated subsidiaries not included above .....       |    | -      | 4222 |
|     | a. After Federal income taxes of .....  |    | 4238   |      |
| 20. | Extraordinary gains (losses) .....  |    | -      | 4224 |
|     | a. After Federal income taxes of .....  |    | 4239   |      |
| 21. | Cumulative effect of changes in accounting principles .....                               |    | -      | 4225 |
| 22. | Net income (loss) after Federal income taxes and extraordinary items .....                | \$ | 48,891 | 4230 |

**MONTHLY INCOME**

|     |   |    |         |      |
|-----|---|----|---------|------|
| 23. | Income (current month only) before provision for Federal income taxes and extraordinary items ..... |    |         |      |
|     |   | \$ | (8,007) | 4211 |

*See accompanying notes*

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER Mufson Howe Hunter & Partners LLC

For the period (MMDDYY) from 01/01/06 to 12/31/06

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

|   |    |        |      |           |
|---|----|--------|------|-----------|
| 1. Balance, beginning of period.....                    | \$ | 47,630 |      | 4240      |
| A. Net income (loss).....                               |    | 48,891 |      | 4250      |
| B. Additions (includes non-conforming capital of.....)  |    | 29     | 4262 | 86,000    |
| C. Deductions (includes non-conforming capital of.....) |    |        | 4272 | (107,581) |
| 2. Balance, end of period (From item 1800).....         | \$ | 74,940 |      | 4290      |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS

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

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*See accompanying notes*

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

**BROKER OR DEALER**    Mufson Howe Hunter & Partners LLC

as of 12/31/06

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

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1)—\$2,500 capital category as per Rule 15c3-1..... 4550
- B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained ..... X    4560
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm 31 4335    4570
- D. (k) (3)—Exempted by order of the Commission ..... 4580

**Ownership Equity and Subordinated 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<br>See below for code to enter | Name of Lender or Contributor | Insider or Outsider?<br>(In or Out) | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY)<br>Withdrawal or Maturity Date | Expect to Renew<br>(yes or no) |      |
|---|-------------------------------|-------------------------------------|---|---|--------------------------------|------|
| 32  | 4600                          | 4601                                | 4602  | 4603                                    | 4604                           | 4605 |
| 33  | 4610                          | 4611                                | 4612  | 4613                                    | 4614                           | 4615 |
| 34  | 4620                          | 4621                                | 4622  | 4623                                    | 4624                           | 4625 |
| 35  | 4630                          | 4631                                | 4632  | 4633                                    | 4634                           | 4635 |
| 36  | 4640                          | 4641                                | 4642  | 4643                                    | 4644                           | 4645 |
| 37  | 4650                          | 4651                                | 4652  | 4653                                    | 4654                           | 4655 |
| 38  | 4660                          | 4661                                | 4662  | 4663                                    | 4664                           | 4665 |
| 39  | 4670                          | 4671                                | 4672  | 4673                                    | 4674                           | 4675 |
| 40  | 4680                          | 4681                                | 4682  | 4683                                    | 4684                           | 4685 |
| 41  | 4690                          | 4691                                | 4692  | 4693                                    | 4694                           | 4695 |

TOTAL \$ <sup>42</sup> 0    4699  
OMIT PENNIES

**Instructions:** Detail listing must include the total of items maturing during the six month period following the report date, 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.

|                         |                              |
|-------------------------|------------------------------|
| <b>WITHDRAWAL CODE:</b> | <b>DESCRIPTION</b>           |
| 1.                      | Equity Capital               |
| 2.                      | Subordinated Liabilities     |
| 3.                      | Accruals                     |
| 4.                      | 15c3-1(c)(2)(iv) Liabilities |

*See accompanying notes*

**MUFSON HOWE HUNTER & PARTNERS, LLC**

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2006

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**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |               |
|--|---------------|
| <b>Net income</b>  | \$ 48,891     |
| <b>Adjustments to reconcile net income to net cash provided by (used for) operating activities</b> |               |
| Warrants received in lieu of fee payments  | (35,191)      |
| Net change in net realized value of warrants   | 6,464         |
| (Increase) decrease in   |               |
| Fees receivable  | 3,982         |
| Other assets   | (1,476)       |
| Increase (decrease) in   |               |
| Accounts payable and accrued expenses  | <u>7,871</u>  |
| <b>Net cash provided by operating activities</b>   | <b>30,541</b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                             |                |
|-----------------------------|----------------|
| Net capital withdrawal      | <u>(9,020)</u> |
| <b>Net decrease in cash</b> | <b>21,521</b>  |

**CASH**

|                   |                  |
|-------------------|------------------|
| Beginning of year | <u>67,926</u>    |
| End of year       | <u>\$ 89,447</u> |

**NON-CASH INVESTING AND FINANCING TRANSACTIONS**

|   |                   |
|---|-------------------|
| Warrants received in lieu of fee payments | <u>\$ 35,191</u>  |
| Warrants distributed to members           | <u>\$(12,561)</u> |

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**See accompanying notes**

# MUFSON HOWE HUNTER & PARTNERS, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Mufson Howe Hunter & Partners LLC ("**MHHP**") is a wholly-owned subsidiary of Mufson Howe Hunter & Company LLC ("**MHHC**"). MHHP is a broker-dealer registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. (NASD).

MHHP provides investment banking services to its clients located mainly in the Mid-Atlantic region of the United States. These services include raising capital, providing consulting services for merger and acquisition transactions and providing strategic advice to growth companies and companies in transition.

#### Accounting 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.

#### Concentration of Credit Risk

Financial instruments which potentially subject MHHP to concentrations of credit risk consist principally of cash and receivables. MHHP deposits its cash with its bank, which is a high credit, quality financial institution. At times, these deposits may be in excess of the FDIC insurance limit. Receivables are substantially from clients in the Mid-Atlantic region of the United States. MHHP does not require collateral to support accounts receivable.

#### Fees Receivable

Fees receivable are stated at the amount management expects to collect from outstanding balances at year-end. Management estimates that losses, if any, on outstanding balances will be immaterial, based on its assessment of the financial condition and relationships with its clients.

#### Investments

Other investments consist of warrants to purchase common stock. There are no quoted market prices available for these warrants and, therefore, they are stated at cost.

#### Revenue Recognition

Investment banking and other financial advisory fees generally consist of retainers and success fees. Retainers are recognized as revenue in accordance with the terms of the engagement and success fees are recognized as revenue predominantly when the transaction is completed or closed. Expenses associated with such transactions are recognized as incurred.

#### Advertising Costs

Advertising costs are generally charged to operations in the year incurred and amounted to \$4,150 in 2006.

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# MUFSON HOWE HUNTER & PARTNERS LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### Income Taxes

MHHP is a limited liability company and a wholly-owned subsidiary of MHHC which is also a limited liability company. For both federal and state tax purposes, LLC's are taxed as partnerships. All income taxes on net earnings are payable by the members of the LLC and, accordingly, no provision for income taxes is required.

### (2) OTHER INVESTMENTS

At December 31, 2006, MHHP had warrants to purchase 43,691 shares of stock in one of MHHP's clients. These warrants are not traded on any exchange and there are no quoted market prices available. As of December 31, 2006, these warrants have been written down to \$16,166, their estimated realizable value, which was determined by the Black Scholes option pricing model. The amount of the write-down of \$6,464 has been charged to operations in 2006.

### (3) COMMITMENTS

At present, MHHC is a holding company and all business is conducted through MHHP. Consequently, MHHP and MHHC have agreed that MHHP is responsible for substantially all of the operating expenses incurred by either entity. MHHC entered into a non-cancelable operating lease for the offices of MHHC and MHHP. This lease expires in July 2012 and requires MHHC to pay monthly its proportionate share of the operating expenses of the building. The future minimum rent payments under this lease are as follows: \$123,423 in 2007; \$126,481 in 2008; \$129,540 in 2009; \$132,598 in 2010; \$135,657 in 2011 and \$80,613 in 2012. MHHC and MHHP entered into a rent allocation agreement whereby MHHP has agreed to make all required payments of the aforementioned lease. This agreement is a one-year agreement which renews automatically at the beginning of each year unless amended by mutual consent of the parties.

MHHC has also entered into five operating leases for office equipment which expire through December 2009. MHHP has agreed to assume 100% of the costs associated with these leases. Base lease and usage expenses in connection with these leases was \$51,014 for the year ended December 31, 2006. The future minimum lease payments in connection with these leases are as follows: \$48,422 in 2007; \$19,919 in 2008 and \$7,691 in 2009.

Furthermore, MHHC has entered into two licensing agreements for database access which expire through November 2007. MHHP has agreed to pay all costs associated with these agreements. The expense associated with these agreements was \$64,922 for the year ended December 31, 2006. The guaranteed payments due under these agreements are \$16,500 due in 2007.

### (4) REGULATORY REQUIREMENTS

MHHP is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 (reserve requirement for broker/dealers) in that MHHP does not hold funds or securities for customers.

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, MHHP is required to maintain a minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2006, MHHP had net capital of \$42,696, which was \$37,696 in excess of its required net capital of \$5,000.

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BRIGGS  
BUNTING &  
DOUGHERTY, LLP  
CERTIFIED  
PUBLIC  
ACCOUNTANTS

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

**To the Members**  
**Mufson Howe Hunter & Partners LLC**  
**Philadelphia, Pennsylvania**

In planning and performing our audit of the financial statements and supplemental schedules of Mufson Howe Hunter & Partners LLC ("**MHHP**"), for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission ("**SEC**"), we have made a study of the practices and procedures followed by MHHP including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because MHHP 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 MHHP in any of the following:

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

The management of MHHP 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 MHHP 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 U.S. 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 or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that 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 MHHP's practices and procedures were adequate at December 31, 2006, to meet the SEC's objectives.

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

*Briggs, Bunting & Dougherty, LLP*

Philadelphia, Pennsylvania  
February 19, 2007

*END*