

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response..... 12.00

A/B  
3/16

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

U.S. MAIL RECEIVED  
MAR 01 2007  
WASH. D.C. 210 SECTION

SEC FILE NUMBER  
8-44319

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: DAUTRICH SEILER FINANCIAL SERVICES INC.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

397 DOGWOOD LANE  
(No. and Street)

NAZARETH PA 18064  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
LYNN DAUTRICH 610-837-4656  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

BEARD MILLER COMPANY LLP  
(Name - if individual, state last, first, middle name)

SUITE 301, 1869 CHARTER LANE LANCASTER PA 17601  
(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 19 2007  
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)

A/B  
3/19

OATH OR AFFIRMATION

I, LYNN DAUTRICH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DAUTRICH SEILER FINANCIAL SERVICES INC., 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:

Lynn S Dautrich  
Signature  
PRESIDENT  
Title

JoAnn L Billings Feb 13 2007  
Notary Public

NOTARIAL SEAL  
JoANN L. BILLINGS, Notary Public  
Borough of Bath, Northampton County, Pa.  
My Commission Expires July 11, 2010

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

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

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

# ***Dautrich Seiler Financial Services, Inc.***

---

## **Table of Contents**

**December 31, 2006 and 2005**

	<u>Page</u>
<b>Financial Statements</b>	
Facing Page	1 - 2
Independent Auditor's Report	3
Balance Sheets	4
Statements of Income	5
Statements of Changes in Stockholders' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13
<b>Supplementary Information</b>	
Schedule I - Computation of Aggregate Indebtedness and Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission	14
Independent Auditor's Report on Internal Control Schedule II Required by Rule 17a-5 of the Securities and Exchange Commission	15- 16



## Independent Auditor's Report

Board of Directors  
Dautrich Seiler Financial Services, Inc.

We have audited the accompanying balance sheets of Dautrich Seiler Financial Services, Inc. (the Company) as of December 31, 2006 and 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dautrich Seiler Financial Services, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

*Beard Miller Company LLP*

Beard Miller Company LLP  
Lancaster, Pennsylvania  
February 22, 2007

# *Dautrich Seiler Financial Services, Inc.*

## **Balance Sheets**

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 10,711	\$ 11,314
Commissions receivable	2,100	2,988
Prepaid expenses	257	639
Other current assets	140	253
<b>Total Current Assets</b>	<b>13,208</b>	<b>15,194</b>
<b>Investments</b>	<b>9,237</b>	<b>10,554</b>
<b>Deferred Income Taxes - Net</b>	<b>2,948</b>	<b>2,365</b>
<b>Total Assets</b>	<b><u>\$ 25,393</u></b>	<b><u>\$ 28,113</u></b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Commissions payable	\$ 1,680	\$ 2,391
Accrued expenses	1,670	1,930
<b>Total Current Liabilities</b>	<b><u>3,350</u></b>	<b><u>4,321</u></b>
<b>Stockholders' Equity</b>		
Common stock, \$10 par value; 10,000 shares authorized; 100 shares issued and outstanding	1,000	1,000
Paid-in capital	17,539	17,539
Accumulated deficit	(950)	(188)
Accumulated other comprehensive income	4,454	5,441
<b>Total Stockholders' Equity</b>	<b><u>22,043</u></b>	<b><u>23,792</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 25,393</u></b>	<b><u>\$ 28,113</u></b>

*See notes to financial statements.*

# *Dautrich Seiler Financial Services, Inc.*

## Statements of Income

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>%</u>	<u>2005</u>	<u>%</u>
<b>Operating Revenue</b>				
Commissions and fees	\$ 147,072	99.05	\$ 168,373	99.72
Miscellaneous income	<u>1,412</u>	<u>0.95</u>	<u>470</u>	<u>0.28</u>
<b>Total Operating Revenue</b>	<u>148,484</u>	<u>100.00</u>	<u>168,843</u>	<u>100.00</u>
<b>Operating Expenses</b>				
Commissions	112,413	75.71	139,528	82.64
Dues and subscriptions	845	0.57	953	0.56
Office expenses	3,727	2.51	4,004	2.37
Officers' salaries	5,162	3.48	10,205	6.04
Payroll taxes	1,809	1.22	2,427	1.44
Printing	237	0.16	453	0.27
Professional fees	12,472	8.40	8,020	4.75
Retirement plan	524	0.35	681	0.40
Salaries and wages	<u>12,310</u>	<u>8.29</u>	<u>12,510</u>	<u>7.41</u>
<b>Total Operating Expenses</b>	<u>149,499</u>	<u>100.69</u>	<u>178,781</u>	<u>105.88</u>
<b>Loss from Operations before Income Tax Benefit</b>				
	(1,015)	(0.69)	(9,938)	(5.88)
<b>Income Tax Benefit</b>	<u>(253)</u>	<u>(0.17)</u>	<u>(2,483)</u>	<u>(1.47)</u>
<b>Net Loss</b>	(762)	(0.52)	(7,455)	(4.41)
<b>Unrealized Gain (Loss) on Investment Securities, Net of Income Tax Benefit of \$330 in 2006 and Income Tax Expense of \$1,813 in 2005</b>	<u>(987)</u>	<u>0.66</u>	<u>5,441</u>	<u>(3.22)</u>
<b>Total Comprehensive Loss</b>	<u>\$ (1,749)</u>	<u>(1.18)</u>	<u>\$ (2,014)</u>	<u>(1.19)</u>

See notes to financial statements.

# *Dautrich Seiler Financial Services, Inc.*

## Statements of Changes in Stockholders' Equity

Years Ended December 31, 2006 and 2005

	<u>Common Shares</u>	<u>Paid-In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
<b>Balances - December 31, 2004</b>	\$ 1,000	\$ 13,539	\$ 7,267	\$ -	\$ 21,806
Net loss	-	-	(7,455)	-	(7,455)
Increase in unrealized gain on investments, net of income tax expense of \$1,813	-	-	-	5,441	5,441
Capital contribution from stockholder	-	4,000	-	-	4,000
<b>Balances - December 31, 2005</b>	1,000	17,539	(188)	5,441	23,792
Net loss	-	-	(762)	-	(762)
Decrease in unrealized gain on investments, net of income tax benefit of \$330	-	-	-	(987)	(987)
<b>Balances - December 31, 2006</b>	<u>\$ 1,000</u>	<u>\$ 17,539</u>	<u>\$ (950)</u>	<u>\$ 4,454</u>	<u>\$ 22,043</u>

*See notes to financial statements.*

# ***Dautrich Seiler Financial Services, Inc.***

## **Statements of Cash Flows**

**Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (762)	\$ (7,455)
Adjustment to reconcile net loss to net cash used in operating activities:		
Provision for deferred income tax benefit	(253)	(2,483)
Decrease in commissions receivable	888	16,001
Decrease (increase) in prepaid expenses	382	(490)
Decrease (increase) in other current assets	113	(253)
Decrease in commissions payable	(711)	(10,901)
Decrease in accrued expenses	(260)	(1,463)
<b>Net Cash Used in Operating Activities</b>	(603)	(7,044)
<b>Cash Flows from Financing Activities</b>		
Capital contribution from stockholder	-	4,000
<b>Net Decrease in Cash and Cash Equivalents</b>	(603)	(3,044)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>11,314</u>	<u>14,358</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 10,711</u>	<u>\$ 11,314</u>

*See notes to financial statements.*

# ***Dautrich Seiler Financial Services, Inc.***

---

## **Notes to Financial Statements**

**December 31, 2006 and 2005**

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies**

#### **Nature of Business**

Dautrich Seiler Financial Services, Inc. (the Company) is a broker/dealer with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company offers services to retail customers through commissioned agents.

#### **Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The Company operates under the exemptive provisions of Paragraph (k)(1) of Rule 15c3-3 of the Securities and Exchange Commission, which provide that the provisions of this section shall not be applicable to a broker or dealer meeting all of the following conditions:

- I. His dealer transactions are limited to the purchase, sale, and redemption of redeemable securities of registered investment companies or of interests or participations in an insurance company separate account.
- II. His transactions as broker (agent) are limited to:
  - a. The sale and redemption of redeemable securities of registered investment companies or an insurance company separate account, whether or not registered as an investment company;
  - b. the solicitation of share accounts for savings and loan associations insured by an instrumentality of the United States; and
  - c. the sale of securities for the account of a customer to obtain funds for immediate reinvestment in redeemable securities of registered investment companies.
- III. He promptly transmits all funds and delivers all securities received in connection with his activities as a broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.
- IV. Notwithstanding the foregoing, this section shall not apply to any insurance company which is a registered broker-dealer, and which otherwise meets all the conditions in paragraphs (k)(1), (I), (II) and (III) of this section.

# ***Dautrich Seiler Financial Services, Inc.***

## **Notes to Financial Statements**

December 31, 2006 and 2005

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)**

#### **Cash and Cash Equivalents**

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

#### **Use of Estimates**

The preparation of the 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 period. Actual results could differ from those estimates.

#### **Income Taxes**

Income taxes are accounted in accordance with Statement of Financial Accounting Standards No. 109. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

#### **Commissions Receivable**

Commissions receivable are stated at outstanding balances. The Company considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

#### **Investment Securities**

The Company classifies its investment securities as available-for-sale. Available-for-sale investment securities consist of equity securities which are carried at fair value as determined by a national exchange. Unrealized holding gains or losses, net of the related tax effect on investment securities available-for-sale, are excluded from earnings and are reported as a separate component of equity.

A decline in the market value of any available-for-sale security below cost, that is deemed to be other than temporary, results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established.

# ***Dautrich Seiler Financial Services, Inc.***

---

## **Notes to Financial Statements**

**December 31, 2006 and 2005**

### **Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued)**

#### **Investment Securities (Continued)**

Premiums and discounts on investment securities are amortized or accreted over the term of the security using methods that approximate the interest method. Gains or losses on the sale of available-for-sale investments are reflected in income at the time of sale using the specific identification method. Dividend and interest income are recognized when earned.

#### **Equipment**

Purchased assets are recorded at cost. Depreciation is provided using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

#### **Other Comprehensive Income**

Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income*, (SFAS 130), requires that total comprehensive income be reported in the financial statements. Total other comprehensive income is presented on the statements of income and changes in stockholders' equity.

### **Note 2 - Statement of Changes in Liabilities Subordinated to Claims of General Creditors**

The Company had no liabilities subordinated to the claims of general creditors for either 2006 or 2005; consequently, the financial statements have not presented the Statement of Changes in Liabilities Subordinated to Claims of General Creditors.

### **Note 3 - 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.

At December 31, 2006 and 2005, the Company had net capital of \$9,461 and \$9,981, respectively, which was \$4,461 and \$4,981, respectively, in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was .3541 to 1 and .4329 to 1 at December 31, 2006 and 2005, respectively.

# *Dautrich Seiler Financial Services, Inc.*

## Notes to Financial Statements

December 31, 2006 and 2005

### Note 4 - Investments

A summary of cost and fair values of investment securities at December 31, 2006 and 2005 is as follows:

	2006			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Investment securities available for sale – equity securities	\$ 3,300	\$ 5,937	\$ -	\$ 9,237
	2005			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Investment securities available for sale – equity securities	\$ 3,300	\$ 7,254	\$ -	\$ 10,554

### Note 5 - Equipment

Equipment consists of the following at December 31:

	2006	2005
Computers and furniture	\$ 11,150	\$ 11,150
Accumulated depreciation	(11,150)	(11,150)
	\$ -	\$ -

There was no depreciation expense in either 2006 or 2005.

# *Dautrich Seiler Financial Services, Inc.*

## Notes to Financial Statements

December 31, 2006 and 2005

### Note 6 - Income Taxes

Income tax benefit for the years ended December 31, 2006 and 2005 consists of the following:

	<u>2006</u>	<u>2005</u>
Deferred benefit from net operating losses:		
Federal	\$ (152)	\$ (1,490)
State	<u>(101)</u>	<u>(993)</u>
	<u>\$ (253)</u>	<u>\$ (2,483)</u>

Deferred tax assets and deferred tax liabilities at December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Deferred tax assets – net capital loss carryforwards	\$ 4,431	\$ 4,178
Deferred tax liabilities – unrealized investment securities holding gains	<u>(1,483)</u>	<u>(1,813)</u>
<b>Net Deferred Tax Asset</b>	<u>\$ 2,948</u>	<u>\$ 2,365</u>

Deferred income tax asset arising from net operating loss carryforwards and unrealized investment securities holding gains:

	<u>2006</u>	<u>2005</u>
Federal	\$ 1,770	\$ 1,420
State	<u>1,178</u>	<u>945</u>
	<u>\$ 2,948</u>	<u>\$ 2,365</u>

The Company has available at December 31, 2006, unused net operating loss carryforwards that may be applied against future taxable income and that expire as follows:

<u>Year of Expiration</u>		<u>Unused Net Operating Loss Carryforwards</u>	
<u>Federal</u>	<u>Pennsylvania</u>	<u>Federal</u>	<u>Pennsylvania</u>
2023	2023	\$ 6,782	\$ 6,782
2025	2025	9,937	9,937
2026	2026	<u>1,015</u>	<u>1,015</u>
		<u>\$ 17,734</u>	<u>\$ 17,734</u>

# ***Dautrich Seiler Financial Services, Inc.***

---

## **Notes to Financial Statements**

**December 31, 2006 and 2005**

### **Note 7 - Retirement Plan**

The Company has a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (Simple IRA Plan). Contributions totaled \$524 and \$681 in 2006 and 2005, respectively.

### **Note 8 - Risk**

At times during the years ended December 31, 2006 and 2005, the Company's cash and cash equivalents balances may have exceeded the federally insured limit of \$100,000.

# ***Dautrich Seiler Financial Services, Inc.***

## **Schedule I - Computation of Aggregate Indebtedness and Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Total Stockholders' Equity from Balance Sheet</b>	\$ 22,043	\$ 23,792
Non-allowable assets:		
Prepaid expenses	257	639
Other current assets	140	253
Investments	9,237	10,554
Deferred income taxes	<u>2,948</u>	<u>2,365</u>
<b>Net Capital</b>	<u>\$ 9,461</u>	<u>\$ 9,981</u>
<b>Aggregate Indebtedness - Total Liabilities</b>	<u>\$ 3,350</u>	<u>\$ 4,321</u>
<b>Computation of Basic Net Capital Requirement - Minimum Net Capital Required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
<b>Net Capital in Excess of Minimum Requirement</b>	<u>\$ 4,461</u>	<u>\$ 4,981</u>
<b>Ratio of Aggregate Indebtedness to Net Capital</b>	<u>.3541 to 1</u>	<u>.4329 to 1</u>

Note: There were no material differences between the above computation included in the Company's corresponding unaudited Form X-17A-5 Part II A filing.



**Independent Auditor's Report on Internal Control Schedule II  
Required by Rule 17a-5 of the Securities and Exchange Commission**

Board of Directors  
Dautrich Seiler Financial Services, Inc.

In planning and performing our audits of the financial statements and supplementary schedule of Dautrich Seiler Financial Services, Inc. (the Company), for the years ended December 31, 2006 and 2005, 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 the 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 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, comparisons, and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15-c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance 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 or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 the 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 the Company's practices and procedures were adequate at December 31, 2006 and 2005, to meet the SEC's objectives.

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

*Beard Miller Company LLP*

Beard Miller Company LLP  
Lancaster, Pennsylvania  
February 22, 2007

*TEXT*