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Washington, D.C. 20547

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| OMB APPROVAL                                     |                  |
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| Expires:   | January 31, 2007 |
| Estimated average burden hours per response..... | 12.00            |

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3/26

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

|                 |
|-----------------|
| SEC FILE NUMBER |
| B- 49829        |

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 01/01/2006 AND ENDING 12/31/2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Second Street Securities, Inc.

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

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

6301 Owensmouth Avenue, Suite 750  
(No. and Street)

Woodland Hills  
(City)

California  
(State)

91367  
(Zip Code)

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

Dave Banerjee

(818) 657-0288

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Brian W. Anson, CPA

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

18425 Burbank Blvd., Suite 606, Tarzana

CA

91356

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
APR 03 2007  
THOMSON  
FINANCIAL

|   |
|---|
| SECURITIES AND EXCHANGE COMMISSION<br><b>RECEIVED</b><br>MAR 1 2007<br>BRANCH OF REGISTRATIONS<br>AND<br>EXAMINATIONS |
| 05  |

|                              |
|------------------------------|
| <b>FOR OFFICIAL USE ONLY</b> |
|                              |

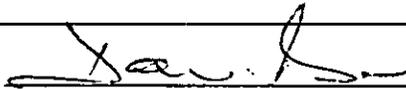
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

AD  
4/2

OATH OR AFFIRMATION

I, Dave Banerjee, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Second Street Securities, 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:

NONE

 Dave Banerjee  
Signature

FINOP

Title

Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in 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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of Los Angeles

On 2-14-07 before me, Michelle Cannon Notary Public  
Date Name and Title of Officer (i.g., Jane Doe, Notary Public)

personally appeared Debasish Banerjee  
Name(s) of Signer(s)

personally known to me

(or proved to me on the basis of satisfactory evidence)

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Place Notary Seal Above

Michelle Cannon  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: Annual Audited report - Form Y-17 A-5 Part III

Document Date: \_\_\_\_\_ Number of Pages: 1

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer -- Title(s): \_\_\_\_\_
- Partner --  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

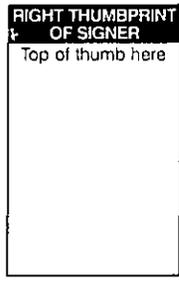
Signer Is Representing: \_\_\_\_\_



Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer -- Title(s): \_\_\_\_\_
- Partner --  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_



SECOND STREET SECURITIES, INC.  
FINANCIAL STATEMENTS  
AND  
ACCOMPANYING SUPPLEMENTARY INFORMATION

REPORT PURSUANT TO SEC RULE 17a-5(d)

FOR THE YEAR ENDED  
DECEMBER 31, 2006

SECOND STREET SECURITIES, INC.

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**BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Second Street Securities, Inc.  
San Francisco, California

I have audited the accompanying statement of financial condition of Second Street Securities, Inc. as of December 31, 2006 and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Street Securities, Inc. as of December 31, 2006 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedule I-III is presented for purposes of additional analysis and is not required as part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subject to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole.

This opinion is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, and other regulatory agencies which 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.



Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 23, 2007

SECOND STREET SECURITIES, INC.

Statement of Financial Condition  
December 31, 2006

ASSETS

|   |                     |
|---|---------------------|
| Cash and cash equivalents   | \$ 6,049,964        |
| Receivables from broker dealers   | 1,684,799           |
| Office and computer equipment<br>net of accumulated depreciation of \$137,027 | 28,114              |
| Prepaid expense   | 392,295             |
| Total assets  | <u>\$ 8,155,172</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

|                                       |                  |
|---------------------------------------|------------------|
| Payable to parent                     | \$ 2,454,173     |
| Accounts payable and accrued expenses | 141,798          |
| Income taxes payable                  | 1,323,125        |
| Total liabilities                     | <u>3,919,096</u> |

STOCKHOLDER'S EQUITY:

|   |                     |
|---|---------------------|
| Common stock, \$.50 par value<br>1,000 shares authorized, issued, and outstanding | 500                 |
| Additional paid-in-capital  | 5,255,291           |
| Retained deficit  | <u>(1,019,715)</u>  |
| Total stockholder's equity  | <u>4,236,076</u>    |
| Total liabilities and stockholder's equity  | <u>\$ 8,155,172</u> |

SECOND STREET SECURITIES, INC.

Statement of Income  
For the year ended December 31, 2006

REVENUES:

|                           |                  |
|---------------------------|------------------|
| Commissions, net (Note 5) | \$ 812,380       |
| Revenue sharing           | 4,999,229        |
| Interest                  | 354,448          |
| Other income              | 101,505          |
| Total income              | <u>6,267,562</u> |

EXPENSES:

|                                    |                  |
|------------------------------------|------------------|
| Brokerage fees                     | 556,541          |
| Employee compensation and benefits | 614,128          |
| Occupancy                          | 49,708           |
| Professional fees                  | 200,395          |
| Dues and subscriptions             | 29,579           |
| Other expenses                     | 871,207          |
| Total expenses                     | <u>2,321,558</u> |

NET INCOME BEFORE INCOME TAXES 3,946,004

INCOME TAX EXPENSE (Note 8) 1,628,287

NET INCOME \$ 2,317,717

SECOND STREET SECURITIES, INC.

Statement of Stockholder's Equity  
For the year ended December 31, 2006

|                                   | Common<br>Stock | Additional<br>Paid-in-capital | Retained<br>Deficit | Total<br>Stockholder's<br>Equity |
|-----------------------------------|-----------------|-------------------------------|---------------------|----------------------------------|
| Beginning balance January 1, 2006 | \$ 500          | \$ 5,231,051                  | \$ 5,560,151        | \$ 10,791,702                    |
| Capital contributions             |                 | 24,240                        |                     | 24,240                           |
| Dividends paid                    |                 |                               | (8,897,583)         | (8,897,583)                      |
| Net income                        |                 |                               | 2,317,717           | 2,317,717                        |
| Ending balance December 31, 2006  | \$ 500          | \$5,255,291                   | (\$1,019,715)       | \$4,236,076                      |

The accompanying notes are an integral part of these financial statements

SECOND STREET SECURITIES, INC.

Statement of Cash Flows  
For the year ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

|   |                   |
|---|-------------------|
| Net income  | \$ 2,317,717      |
| Adjustments to reconcile net income to net cash used in operating activities: |                   |
| Depreciation expense  | 34,690            |
| (Increase) decrease in:   |                   |
| Receivables from brokers  | 29,261            |
| Securities owned  | 10,154,972        |
| Deferred income taxes   | 57,534            |
| Prepaid expenses  | 2,453,358         |
| Increase (decrease) in:   |                   |
| Payable to parent   | 1,029,297         |
| Accounts payable and accrued expenses   | (1,723,645)       |
| Income taxes payable  | (918,985)         |
| Total adjustments   | <u>11,116,482</u> |
| Net cash used in operating activities   | <u>13,434,199</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

|   |              |
|---|--------------|
| Disposal of furniture and equipment       | <u>6,498</u> |
| Net cash provided by investing activities | <u>6,498</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

|                                       |                    |
|---------------------------------------|--------------------|
| Capital contributions                 | 24,240             |
| Dividends paid                        | <u>(8,897,583)</u> |
| Net cash used in financing activities | <u>(8,873,343)</u> |

|                           |                            |
|---------------------------|----------------------------|
| Increase in cash          | 4,567,354                  |
| Cash at beginning of year | 1,482,610                  |
| Cash at end of year       | <u><u>\$ 6,049,964</u></u> |

Supplemental disclosure of cash flow information

Cash paid during the year for:

|              |          |
|--------------|----------|
| Interest     | \$0      |
| Income taxes | \$95,000 |

## SECOND STREET SECURITIES, INC.

Notes to Financial Statements  
December 31, 2006

### Note 1: NATURE OF BUSINESS

Second Street Securities, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealer, Inc. ("NASD"). The Company is a Delaware corporation and is a wholly-owned subsidiary of Advent Software, Inc. (the "Parent"). The Company conducts business on behalf of its customers with clearing brokers. These customers are principally investment advisors, which are located throughout the United States of America.

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue Recognition:

The principal sources of the Company's Income are agency commissions generated from securities transactions executed for its customers to whom the Parent and other vendors provide portfolio management systems and data services on the Company's behalf and a revenue sharing arrangement with a third party. See notes 5 and 6 for additional information regarding revenue recognition.

Commission income and brokerage fees are recorded on the trade basis.

Commission revenues have been shown net of the costs of third party products or services in connection with soft dollar arrangements with clients. Under such arrangements, the Company will apply commissions received from brokerages in the form of payments against third party products or services provided to the client. The Company does not function as the primary obligor relative to the third party products or services under the guidance of Emerging issues Task Force ("EITF") No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent.

#### Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid Investments purchased with original maturities of three months or less.

#### Securities Owned, at Market:

All securities owned, which consist of government securities with maturities of one year or less, are valued at market and unrealized gains and losses are reflected in revenues.

#### Office and Computer Equipment:

Office and computer equipment are stated at cost less accumulated depreciation. The Company provides for depreciation on a straight-line basis over estimated use lives as follows:

| Asset                          | Estimated Useful Life |
|--------------------------------|-----------------------|
| Office and other equipment     | 5-6 years             |
| Computer hardware and software | 3-6 years             |

Repairs and maintenance expenditures, which are not considered improvements and do not extend the useful life of the equipment, are expensed as incurred.

## SECOND STREET SECURITIES, INC.

Notes to Financial Statements  
December 31, 2006

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Payable to Parent:

Payable to Parent represents amounts paid by the Parent on behalf of the Company for normal operating costs and income taxes. Expenses paid to the Parent for operating expenses for the year ended December 31, 2006 were approximately \$124,000.

#### Income Taxes:

The Company complies with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes" which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. The Company is included in the consolidated federal income tax return filed by the Parent and files a separate state income tax return in New Jersey. Federal income taxes are calculated as if the companies filed on a separate return basis.

#### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

### Note 3: OFFICE AND COMPUTER EQUIPMENT

Details of office and computer equipment at December 31, 2006 are as follows:

|                                |    |             |
|--------------------------------|----|-------------|
| Computer hardware and software | \$ | 165,141     |
| Less: Accumulated depreciation |    | (137,027)   |
|                                |    | <hr/>       |
|                                | \$ | 28,114      |
|                                |    | <hr/> <hr/> |

Depreciation expense was \$34,690 for the year ended December 31, 2006.

## SECOND STREET SECURITIES, INC.

Notes to Financial Statements  
December 31, 2006

### Note 4: RECEIVABLES FROM BROKER-DEALERS AND OFF BALANCE SHEET RISK

The Company introduces customers to clearing brokers with whom it has a correspondent relationship for execution and clearance in accordance with the terms of the clearance agreements. Full payment is required upon settlement of customer trades. The Company's clearing brokers are exposed to risk of loss in the event that a customer fails to satisfy its obligation. In connection therewith, the company has agreed to indemnify its clearing brokers for losses that the clearing brokers may sustain related to the Company's customers. The Company monitors the credit standing of the clearing brokers and all counterparties with which it conducts business.

Securities purchased by customers in connection with these transactions are held by the clearing brokers as collateral for the amounts owned. The proceeds of securities sold by customers are held by clearing brokers as collateral for securities owned.

The receivables from the broker-dealers are pursuant to these clearance agreements.

### Note 5: COMMISSION REVENUE

The Company classifies commission revenue on a net basis when they engage in soft dollar products and services. Under such arrangements, the Company returns a portion of its commission revenue from its customers in the form of products or services. As a result, revenues and cost of revenues reflect revenue recognition on a net basis from these transactions as the Company is not the primary obligor.

|  |    |                |
|--|----|----------------|
| Gross commission earned  | \$ | 4,014,815      |
| Less amounts returned to customers for Soft dollars where the Company is not The primary obligor |    | (3,202,435)    |
| Net commission revenue   | \$ | <u>812,380</u> |

### Note 6: REVENUE SHARING AGREEMENT

The Company has an agreement with a third party in which the Company shares in commissions and receives payments from, Sungard Institutional Brokerage ("Sungard") based on routing fees paid by customers to Sungard for trade order routing from Advent's order management system through Sungard's STN Network. The Company's share of the revenue generated from this arrangement for the year ending December 31, 2006 was approximately \$4,999,229.

### Note 7: NET CAPITAL REQUIREMENT

The Company is subject to uniform net capital Rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and the maintenance of a maximum ratio of aggregate indebtedness to net capital. Net capital and aggregate indebtedness change day by day, but by December 31, 2006 the Company's net capital of \$3,298,702 exceeded the minimum net capital requirement by \$3,037,429 and, the Company's ratio of aggregate indebtedness (\$3,919,096) to net capital was 1.19 to 1, which is less than the 15:1 ceiling.

SECOND STREET SECURITIES, INC.

Notes to Financial Statements  
December 31, 2006

Note 8: INCOME TAXES

The provision for income taxes consists of the following for the year ended December 31, 2006:

Current

\$ 1,628,287

Note 9: EXEMPTION FROM RULE 15C3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision under subparagraph (k)(2)(ii) and, is therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

Note 10: CONCENTRATION OF CREDIT RISK

The Company is engaged in various trading brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty of issuer of the Company regularly monitors the activity in its customer accounts for compliance with margin requirements.

The Company maintains its cash balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution.

SECOND STREET SECURITIES, INC.

Statement of Net Capital  
 Schedule I  
 For the year ended December 31, 2006

|  | Focus 12/31/06      | Audit 12/31/06      | Change      |
|--|---------------------|---------------------|-------------|
| Stockholder's equity, December 31, 2006        | \$ 4,236,076        | \$ 4,236,076        | \$ -        |
| Subtract - Non allowable assets:               |                     |                     | -           |
| Accounts receivable                            | 435,569             | 435,569             | -           |
| Fixed assets                                   | 28,114              | 28,114              | -           |
| Prepaid expense                                | 392,295             | 392,295             | -           |
| Tentative net capital                          | 3,380,098           | 3,380,098           | -           |
| Haircuts:                                      | (81,396)            | (81,396)            | -           |
| <b>NET CAPITAL</b>                             | <b>3,298,702</b>    | <b>3,298,702</b>    | <b>-</b>    |
| Minimum net capital                            | 261,273             | 261,273             | -           |
| <b>Excess net capital</b>                      | <b>\$ 3,037,429</b> | <b>\$ 3,037,429</b> | <b>\$ -</b> |
| Aggregate indebtedness                         | 3,919,096           | 3,919,096           | -           |
| Ratio of aggregate indebtedness to net capital | 1.19%               | 1.19%               |             |

There were no noted differences between the audit and focus filed at December 31, 2006

SECOND STREET SECURITIES, INC.

December 31, 2006

Schedule II  
Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3(k)(2)(ii).

Schedule III  
Information Relating to Possession or Control  
Requirements Under Rule 15c3-3

The Company is exempt from the Rule 15c3-3 as it relates to Possession and Control requirements under the (k)(2)(ii) exemptive provision.

**BRIAN W. ANSON**

*Certified Public Accountant*

18425 Burbank Blvd., Suite 606, Tarzana, CA 91356 • Tel. (818) 401-8800 • Fax (818) 401-8818

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL STRUCTURE  
REQUIRED BY SEC RULE 17A-5**

Board of Directors  
Second Street Securities, Inc.  
San Francisco, California

In planning and performing my audit of the financial statements of Second Street Securities, Inc. for the year ended December 31, 2006, I considered its internal control structure, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures including tests of such practices and procedures followed by Second Street Securities, Inc. including test of compliance with such practices and procedures that I considered relevant to objectives stated in Rule 17a-5(g), (1) 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, I did not review the practices and procedures followed by the Company in any of the following: (i) in making the quarterly securities examinations, counts, verifications and comparisons, (ii) recordation of differences required by Rule 17a-13, or (iii) in complying with the requirements for prompt payment for securities of Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an 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 internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of 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 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Board of Directors  
Second Street Securities, Inc.  
Page Two

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 they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the 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, I noted no matters involving the internal control structure, including control activities for safeguarding securities, which I consider to be material weaknesses as defined above.

In addition, my consideration of the internal control structure indicated that the Company was in compliance with the conditions of the exemption under Paragraph (k) (2) (ii) of Rule 15c3-3, and no facts came to my attention indicating that such conditions had not been complied with during the period. The scope of my engagement did not include the Anti Money Laundering provision of the U.S. Patriot Act.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2006 to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, the Securities and Exchange Commission, and other regulatory agencies which 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.



Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 23, 2007

*END*