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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

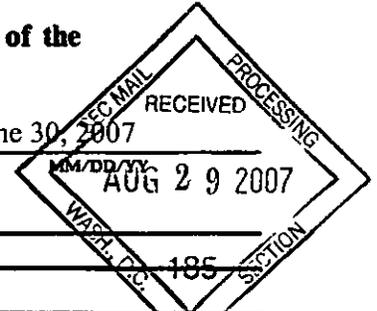
SEC FILE NUMBER  
8- 53458

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

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING July 1, 2006 AND ENDING June 30, 2007  
MM/DD/YY



A. REGISTRANT IDENTIFICATION

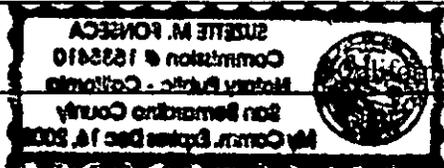
NAME OF BROKER-DEALER: Western Growers Financial Services, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
17620 Fitch Street

Irvine,

(City)



92614

(Zip Code)

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

Mee-Fung Shen

(949) 885-2385

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Breard & Associates, Inc. Certified Public Accountants

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

9221 Corbin Avenue, Suite 170

(Address)

Northridge

(City)

California

(State)

91324

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 07 2007

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THOMSON  
FINANCIAL

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

SEC 1410 (3-91)

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OATH OR AFFIRMATION

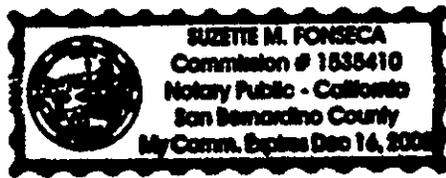
I, Lori Duquette, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Western Growers Financial Services, Inc., as of June 30, 2007, are true and correct. I further swear (or affirm) that neither the company 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

State of CALIFORNIA  
County of ORANGE  
Subscribed and sworn (or affirmed) to before me this 10th day of August, 2007

Lori A. Duquette  
Signature  
Chief Compliance Officer  
Title

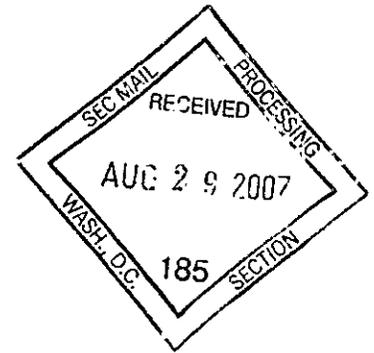
[Signature]  
Notary Public



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in ~~Financial Condition~~ 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).



**Western Growers Financial Services**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended June 30, 2007**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report

Board of Directors  
Western Growers Financial Services:

We have audited the accompanying statement of financial condition of Western Growers Financial Services (the Company) as of June 30, 2007, and the related statements of income, 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Growers Financial Services as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Breard & Associates, Inc.*

Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
August 2, 2007

*We Focus & Care<sup>SM</sup>*

**Western Growers Financial Services**  
**Statement of Financial Condition**  
**June 30, 2007**

**Assets**

Cash and cash equivalents	\$ 282,847
Deposit with clearing firm	100,000
Commissions receivable	160,743
Marketable securities, at market	62,419
Receivable from related parties	4,500
Prepaid expenses	6,473
Deposits	<u>463</u>
<b>Total assets</b>	<b><u>\$ 617,445</u></b>

**Liabilities and Stockholder's Equity**

**Liabilities**

Accounts payable	\$ 42,417
Accrued payroll expenses	35,612
Income tax payable	59,443
Payable to related parties	<u>40,846</u>
<b>Total liabilities</b>	<b>178,318</b>

**Stockholder's equity**

Common stock, no par value, 1,000 shares authorized, issued and outstanding	10,000
Additional paid-in capital	75,000
Retained earnings	<u>354,127</u>
<b>Total stockholder's equity</b>	<b><u>439,127</u></b>

<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 617,445</u></b>
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*The accompanying notes are an integral part of these financial statements.*

**Western Growers Financial Services**  
**Statement of Income**  
**For the Year Ended June 30, 2007**

**Revenue**

Commissions	\$ 1,118,973
Management and fee based income	154,056
Interest income	4,504
Realized losses	(503)
Unrealized gains on marketable securities	9,488
Other income	<u>128</u>

**Total revenue** 1,286,646

**Expenses**

Employee compensation and benefits	449,533
Commissions and floor brokerage fees	208,177
Occupancy and equipment rental	56,555
Taxes, licenses & fees other than income taxes	32,221
Other operating expenses	<u>287,901</u>

**Total expenses** 1,034,387

**Net income before income tax provision** 252,259

**Income tax provision** 111,743

**Net income** \$ 140,516

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

**Western Growers Financial Services**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended June 30, 2007**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at June 30, 2006	\$ 10,000	\$ -	\$ 213,611	\$ 223,611
Additional paid-in capital	-	75,000	-	75,000
Net income	<u>-</u>	<u>-</u>	<u>140,516</u>	<u>140,516</u>
Balance at June 30, 2007	<u>\$ 10,000</u>	<u>\$ 75,000</u>	<u>\$ 354,127</u>	<u>\$ 439,127</u>

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

**Western Growers Financial Services**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2007**

**Cash flows from operating activities:**

Net income		\$ 140,516
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Unrealized (gains) losses	\$ (9,488)	
Realized gain (loss)	503	
(Increase) decrease in:		
Deposit with clearing firm	(75,000)	
Commissions receivable	(10,245)	
Purchase of marketable securities	(59,591)	
Proceeds from sale of marketable securities	86,940	
Prepaid expenses	(322)	
(Decrease) increase in:		
Accounts payable	(62,457)	
Accrued payroll expense	13,780	
Income taxes payable	<u>59,443</u>	
Total adjustments		<u>(56,437)</u>
<b>Net cash and cash equivalents provided by (used in) operating activities</b>		<b>84,079</b>

**Cash flows from investing activities:**

-

**Cash flows from financing activities:**

Repayment of loans from related parties	10,500	
Loans made from related parties	9,136	
Proceeds from additional paid-in capital	<u>75,000</u>	
<b>Net cash and cash equivalents provided by (used in) financing activities</b>		<b><u>94,636</u></b>

<b>Net increase (decrease) in cash and cash equivalents</b>	<b>178,715</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>104,132</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 282,847</u></b>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for		
Interest	\$	-
Income taxes	\$	-

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

**Western Growers Financial Services**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Western Growers Financial Services (the "Company"), was incorporated on June 21, 2000 in the State of California, as the wholly-owned subsidiary of Western Growers Service Corp. (the "Parent"). Western Growers Service Corp. is in turn the wholly-owned subsidiary of Western Growers Association ("WGA"). The Company is an institutional and retail, brokerage firm selling mutual funds, variable annuities and providing advisory services. Currently, the Company primarily operates its advisory services with agricultural organizations which are affiliated with WGA. The Company is a member of the National Association of Broker Dealers ("NASD"), the Municipal Securities Rulemaking Board ("MSRB") and the Securities Investors Protection Corporation ("SIPC").

The Company operates its brokerage business on a fully-disclosed basis, whereby the Company does not hold customer funds and/or securities, and the execution and clearance of trades are handled by another broker/dealer.

*Summary of Significant Accounting Policies*

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimate amounts.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Commissions receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

The Company has adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). As such, marketable securities held by the Company at June 30, 2007, are classified as trading securities and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses on marketable securities are computed based on specific identification of recorded cost, with the change in fair value during the period included in income.

**Western Growers Financial Services**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Securities transactions are recorded on a settlement date basis. Proprietary transactions, commission revenues and the related expenses are recorded on a trade date basis.

Management and fee based income are recognized when earned, along with corresponding expenses.

Advertising and promotional costs are charged to operations when incurred. At June 30, 2007, advertising and promotional cost totaled \$15,290, and are included in other operating expenses.

The operations of the Company are included in the consolidated income tax returns filed by the Parent. Income taxes are calculated as if the Company filed on a separate basis and the amount of current tax and/or benefit calculated is either remitted to or received from the Parent.

Income taxes are provided for the tax effects of transactions reported on the financial statements and consist of taxes currently due or refundable plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the investments in marketable securities, and accruals of paid time-off for employees.

**Note 2: DEPOSIT WITH CLEARING FIRM**

The Company has deposited \$100,000 with a clearing firm to serve as security for its transactions with them. Interest is paid monthly on the deposit at the average overnight repurchase agreement rate.

**Note 3: MARKETABLE SECURITIES, AT MARKET VALUE**

The Company holds investments classified as trading securities recorded at fair market value in the amount of \$62,419, with a cost basis of \$59,591, as of June 30, 2007. In the current year, the Company has recognized an unrealized gain of \$9,488. These securities are currently comprised of mutual funds only.

**Western Growers Financial Services**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 4: INCOME TAXES**

As discussed in Note 1, the Company is a wholly-owned subsidiary and is included in the consolidated income tax returns filed by its parent. A portion of the consolidated income tax liability is allocated to the Company as if the Company had filed separate income tax returns.

The provision for income tax expense at June 30, 2007, is comprised of the following:

Current income tax expense	
Federal	\$ 88,355
State	<u>23,388</u>
Total current income tax expense	111,743
Deferred income tax expense	<u>-</u>
Total provision for income tax expense	<u>\$ 111,743</u>

Deferred income taxes result from the recognition of certain income and expense items for tax purposes in different years than for financial reporting purposes.

**Note 5: RELATED PARTY TRANSACTIONS**

The Company shares office space with its Parent, WGA, and several other affiliated companies to WGA. The Company pays its own compliance expenses related to its brokerage business and has a written agreement with WGA, whereby the Company reimburses either WGA or the Parent for its portion of substantially all of the remaining operating expenses, including the rental of office space, staff and various equipment. These amounts have been included in the accompanying statement of income in employee compensation and benefits, occupancy and equipment rental, communications, taxes, licenses & fees, other than income taxes, other operating expenses and the income tax provision.

During the year ended June 30, 2007, the Company received \$75,000 of additional paid-in capital from the Parent.

All receivables and payables to related parties are non-interest bearing and due on demand.

The Company has signed a licensing agreement with WGA, whereby the Company will pay a royalty fee to WGA for, among other things, the goodwill derived from the use of the Western Growers name. The amount of the royalty fee was \$34,875 for the year ended June 30, 2007.

**Western Growers Financial Services**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 6: EMPLOYEES BENEFIT PLAN**

The Company participates with various affiliates in a defined contribution pension plan which covers all employees who have completed one year of service. The Company contributed for each participant an amount equal to 7% of the participants annual compensation. The Company also provides a 401(k) plan which allows eligible employees to contribute a percentage of their compensation, subject to Internal Revenue Service limitations, of which the Company will match up to 3% of the employee's compensation. For the year ended June 30, 2007, the Company contributed \$31,361 into these plans.

**Note 7: CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and 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 or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty, with which it conducts business.

**Note 8: COMMITMENTS AND CONTINGENCIES**

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000, or the Securities Investor Protection Corporation ("SIPC"), up to \$500,000. At times during the year ended June 30, 2007, cash balances held in financial institutions were in excess of the FDIC and SIPC's insured limits. The Company has not experienced any losses in such accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

**Note 9: RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is measurement of any tax position that meets the more-likely-than-not recognition threshold to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

**Western Growers Financial Services**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 9: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

FIN 48 also provides guidance on the de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and results of operations. However, the impact is not expected to be material. In September 2006, the FASB issued Statement of Accounting Financial Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 157 is not expected to have a material effect on the Company's financial statements.

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

**Note 10: NET CAPITAL**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on June 30, 2007, the Company had net capital of \$416,752 which was \$404,864 in excess of its required net capital of \$11,888; and the Company's ratio of aggregate indebtedness (\$178,318) to net capital was 0.43 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**Western Growers Financial Services**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 11: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There was a \$7,608 difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 424,360
Adjustments:		
Retained earnings	\$ (7,610)	
Rounding	<u>2</u>	
Total adjustments		<u>(7,608)</u>
Net capital per audited statements		<u>\$ 416,752</u>

**Western Growers Financial Services**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of June 30, 2007**

**Computation of net capital**

**Stockholder's equity**

Common stock	\$ 10,000	
Additional paid-in capital	75,000	
Retained earnings	<u>354,127</u>	
<b>Total stockholder's equity</b>		<b>\$ 439,127</b>

Adjustments to stockholder's equity

Excess fidelity bond deductible		<u>(5,000)</u>
<b>Total net worth</b>		<b>434,127</b>

Less: non-allowable assets

Receivable from related parties	(4,500)	
Prepaid expenses	(6,473)	
Deposits	<u>(463)</u>	
<b>Total non-allowable assets</b>		<b><u>(11,436)</u></b>

**Net capital before haircuts and undue concentration** **422,691**

Less: haircuts and undue concentration

Haircuts on mutual funds	<u>(5,939)</u>	
<b>Total haircuts and undue concentration</b>		<b><u>(5,939)</u></b>

**Net capital** **416,752**

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 11,888	
Minimum dollar net capital required	\$ 5,000	
<b>Net capital required (greater of above)</b>		<b><u>11,888</u></b>

**Excess net capital** **\$ 404,864**

Ratio of aggregate indebtedness to net capital 0.43:1

There was a \$7,608 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated June 30, 2007. See Note 11.

*See independent auditor's report.*

**Western Growers Financial Services**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of June 30, 2007**

A computation of reserve requirement is not applicable to Western Growers Financial Services as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report.*

**Western Growers Financial Services**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of June 30, 2007**

Information relating to possession or control requirements is not applicable to Western Growers Financial Services as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

*See independent auditor's report.*

**Western Growers Financial Services**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended June 30, 2007**

# BREARD & ASSOCIATES, INC.

Certified Public Accountants

Board of Directors

Western Growers Financial Services:

In planning and performing our audit of the financial statements of Western Growers Financial Services (the Company), as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

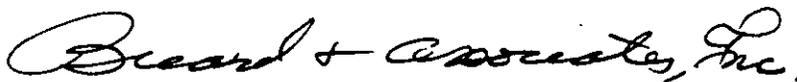
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control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

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

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

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at June 30, 2007, to meet the SEC's objectives.

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



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
August 2, 2007

END