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ED STATES
XCHANGE COMMISSION
ton, D.C. 20549

BB 9/28

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

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

| |
|----------------------------|
| SEC FILE NUMBER |
| 8-66985 8-50225 |

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 MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

MILESTONE FINANCIAL SERVICES, INC.

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

**1503 LINCOLN AVENUE
HOLBROOK, NY 11741**

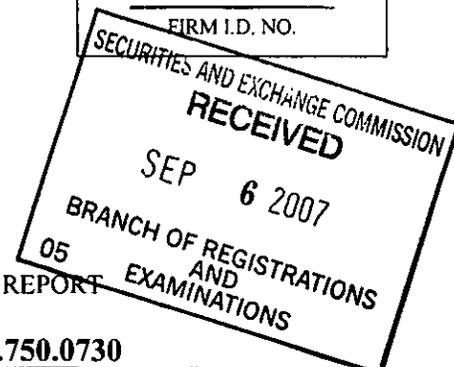
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Matthew Schonberg

631.750.0730

(Area Code - Telephone Number)

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



B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Canale & Tellekamp, CPA's

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

140 South Ocean Ave Freeport, NY

11520

(Address)

(City)

(State)

(Zip Code)

PROCESSED

CHECK ONE:

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

B

OCT 03 2007

**THOMSON
FINANCIAL**

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant

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must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, **Matthew Schonberg**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Milestone 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: **NONE**.

Matthew Schonberg
Signature

ELIZABETH CANDEMERES
Notary Public - State of New York
No. 4971787
Qualified in Suffolk County
My Commission Expires Oct 18, ~~2006~~ 2010

CEO
Title

8/6/07
Elizabeth Candemeres
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 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.
- (o) Independent Auditor's Report on Internal Control

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

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

| | |
|---|------------------|
| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | October 31, 2005 |
| Estimated average burden hours per response..... | 12.00 |

**Form
X-17A-5**

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18
4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER

MILESTONE FINANCIAL SERVICES INC. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

1503 LINCOLN AVENUE 20

(No. and Street)

HOLBROOK 21

NY 22

11741 23

(City)

(State)

(Zip Code)

SEC FILE NO.

8-66985 14

FIRM I.D. NO.

43295 15

FOR PERIOD BEGINNING (MM/DD/YY)

7/1/2006 24

AND ENDING (MM/DD/YY)

6/30/2007 25

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

MATTHEW SCHONBERG 30

(Area Code) — Telephone No.

631-750-0730 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____ 20__

Manual signatures of:

1) _____
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

CANALE & TELLEKAMP

70

ADDRESS

140 S. OCEAN AVENUE

71 **FREEPORT**

72

NY

73

11520

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

FOR SEC USE

Public Accountant

76

| | |
|--|--|
| | |
|--|--|

Accountant not resident in United States
or any of its possessions

77

DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|---------------|-------------------------|---------------|------|--|--|--|--|
| 50 | 51 | 52 | 53 | | | | |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

MILESTONE FINANCIAL SERVICES INC.

N3

180

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

as of (MM/DD/YY) **06/30/2007**

SEC FILE NO. **8-66985**

| | |
|--|-----|
| | 98 |
| | 98 |
| Consolidated | 198 |
| Unconsolidated <input checked="" type="checkbox"/> | 199 |

| | Allowable | Non-Allowable | Total |
|--|----------------------|----------------------|----------------------|
| 1. Cash | \$ 26509 200 | | \$ 26509 750 |
| 2. Receivables from brokers or dealers: | | | |
| A. Clearance account | \$ 120216 295 | | |
| B. Other | 125797 300 | | 246013 810 |
| 3. Receivable from non-customers | 355 | \$ 49646 550 | \$ 49646 830 |
| 4. Securities and spot commodities owned at market value: | | | |
| A. Exempted securities | 418 | | |
| B. Debt securities | 419 | | |
| C. Options | 420 | | |
| D. Other securities | 424 | | |
| E. Spot commodities | 430 | | 850 |
| 5. Securities and/or other investments not readily marketable: | | | |
| A. At cost \$ | 130 | | |
| B. At estimated fair value | 440 | 610 | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | | |
| A. Exempted securities \$ | 150 | | |
| B. Other securities \$ | 160 | | |
| 7. Secured demand notes: | 470 | 640 | 890 |
| Market value of collateral: | | | |
| A. Exempted securities \$ | 170 | | |
| B. Other securities \$ | 180 | | |
| 8. Memberships in exchanges: | | | |
| A. Owned, at market \$ | 190 | | |
| B. Owned, at cost | | 650 | |
| C. Contributed for use of the company, at market value | | 650 | 800 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | 480 | 35653 670 | 35653 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | 490 | 23894 680 | 23894 920 |
| 11. Other assets | 535 | 735 | 930 |
| 12. TOTAL ASSETS | \$ 272522 640 | \$ 109193 740 | \$ 381715 940 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER
MILESTONE FINANCIAL SERVICES INC.

as of 6/30/07

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

LIABILITIES AND OWNERSHIP EQUITY

| Liabilities | A.I. Liabilities | Non-A.I. Liabilities | Total |
|--|---------------------|-------------------------|----------------|
| 13. Bank loans payable | \$ 1045 | \$ 1255 | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account | 1114 | 1315 | 1560 |
| B. Other | 1115 | 1305 | 1540 |
| 15. Payable to non-customers | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value | | 1360 | 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other | 183129 1205 | 1385 | 183129 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured | 1210 | | 1690 |
| B. Secured | 1211 | 1390 | 1700 |
| 19. E. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | | |
| 1. from outsiders, \$ | 970 | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ | 980 | | |
| B. Securities borrowings, at market value from outsiders \$ | | 1410 | 1720 |
| C. Pursuant to secured demand note collateral agreements | | 1420 | 1730 |
| 1. from outsiders \$ | 1000 | | |
| 2. Includes equity subordination (15c3-1(d)) of ... \$ | 1010 | | |
| D. Exchange memberships contributed for use of company, at market value | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES | \$ 183129 1230 | \$ 1450 | \$ 1760 |
| Ownership Equity | | | |
| 21. Sole Proprietorship | | | 1770 |
| 22. Partnership (limited partners) | 1020 | | 1780 |
| 23. Corporation: | | | |
| A. Preferred stock | | | 1791 |
| B. Common stock | | 20000 | 1792 |
| C. Additional paid-in capital | | 614047 | 1793 |
| D. Retained earnings | | (435461) | 1794 |
| E. Total | | | 1795 |
| F. Less capital stock in treasury | | | 1796 |
| 24. TOTAL OWNERSHIP EQUITY | | | 198586 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | | \$ 381715 1810 |

DMT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

as of 6/30/07

MILESTONE FINANCIAL SERVICES INC.

COMPUTATION OF NET CAPITAL

| | | | |
|--|----|------------|------|
| 1. Total ownership equity from Statement of Financial Condition | \$ | 198586 | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | | | 3490 |
| 3. Total ownership equity qualified for Net Capital | | 198586 | 3500 |
| 4. Add: | | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | | | 3520 |
| B. Other (deductions) or allowable credits (List) | | | 3525 |
| 5. Total capital and allowable subordinated liabilities | \$ | | 3530 |
| 6. Deductions and/or charges: | | | |
| A. Total non-allowable assets from | | | |
| Statement of Financial Condition (Notes B and C) | \$ | 109193 | 3540 |
| B. Secured demand note delinquency | | | 3590 |
| C. Commodity futures contracts and spot commodities - | | | |
| proprietary capital charges | | | 3600 |
| D. Other deductions and/or charges | | | 3610 |
| 7. Other additions and/or allowable credits (List) | | (109193) | 3620 |
| 8. Net capital before haircuts on securities positions | \$ | 89393 | 3640 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)): | | | |
| A. Contractual securities commitments | \$ | | 3660 |
| B. Subordinated securities borrowings | | | 3670 |
| C. Trading and investment securities: | | | |
| 1. Exempted securities | | | 3735 |
| 2. Debt securities | | | 3733 |
| 3. Options | | | 3730 |
| 4. Other securities | | | 3734 |
| D. Undue Concentration | | | 3650 |
| E. Other (List) | | | 3740 |
| 10. Net Capital | \$ | 89393 | 3750 |

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

BROKER OR DEALER

as of 6/30/07

MILESTONE FINANCIAL SERVICES INC.

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|----|-------|------|
| 11. Minimum net capital required (6 2/3% of line 10) | \$ | 12208 | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 5000 | 3758 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 12208 | 3760 |
| 14. Excess net capital (line 10 less 13) | \$ | 77185 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | 71080 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|--------|--------|------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | 183129 | 3790 |
| 17. Add: | | | |
| A. Drafts for immediate credit | 1/2 \$ | 3800 | |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 | |
| C. Other unrecorded amounts (List) | \$ | 3820 | |
| 18. Total aggregate indebtedness | \$ | 183129 | 3840 |
| 19. Percentage of aggregate indebtedness to net capital ((line 18 + by (line 10)) | % | 205 | 3850 |
| 20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | % | | 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | |
|--|--------|------|
| 21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | 3970 |
| 22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | 1/3 \$ | 3880 |
| 23. Net capital requirement (greater of line 21 or 22) | \$ | 3760 |
| 24. Excess capital (line 10 less 23) | \$ | 3910 |
| 25. Net capital in excess of the greater of: | | |
| A. 5% of combined aggregate debit items or \$120,000 | \$ | 3920 |

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to Item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

MILESTONE FINANCIAL SERVICES INC.

For the period (MMDDYY) from 7/1/06 3932 to 6/30/07 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

| | | | |
|---|----|------------|------|
| 1. Commissions: | | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | \$ | | 3935 |
| b. Commissions on listed option transactions | % | | 3938 |
| c. All other securities commissions | | 2432173 | 3939 |
| d. Total securities commissions | | | 3940 |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in options on a national securities exchange | | | 3945 |
| b. From all other trading | | | 3949 |
| c. Total gain (loss) | | | 3950 |
| 3. Gains or losses on firm securities investment accounts | | | 3952 |
| 4. Profit (loss) from underwriting and selling groups | | % | 3955 |
| 5. Revenue from sale of investment company shares | | 98258 | 3970 |
| 6. Commodities revenue | | | 3990 |
| 7. Fees for account supervision, investment advisory and administrative services | | 14532 | 3975 |
| 8. Other revenue | | 1013504 | 3995 |
| 9. Total revenue | | \$ 3558467 | 4030 |

EXPENSES

| | | | |
|--|--|------------|------|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | | 214427 | 4120 |
| 11. Other employee compensation and benefits | | 266860 | 4115 |
| 12. Commissions paid to other broker-dealers | | | 4140 |
| 13. Interest expense | | | 4075 |
| a. Includes interest on accounts subject to subordination agreements | | 4070 | |
| 14. Regulatory fees and expenses | | 81828 | 4195 |
| 15. Other expenses | | 2946204 | 4100 |
| 16. Total expenses | | \$ 3509319 | 4200 |

NET INCOME

| | | | |
|---|--|----------|-----------|
| 17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) | | \$ 49148 | 4210 |
| 18. Provision for Federal income taxes (for parent only) | | % | 7364 4220 |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | | 4222 |
| a. After Federal income taxes of | | 4338 | |
| 20. Extraordinary gains (losses) | | | 4224 |
| a. After Federal income taxes of | | 4238 | |
| 21. Cumulative effect of changes in accounting principles | | | 4225 |
| 22. Net income (loss) after Federal income taxes and extraordinary items | | \$ 41784 | 4230 |

MONTHLY INCOME

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

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

BROKER OR DEALER

MILESTONE FINANCIAL SERVICES INC.

For the period (MMDDYY) from 7/1/06 to 6/30/07

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

| | | | |
|---|----|--------|--------|
| 1. Balance, beginning of period | \$ | 316582 | 4240 |
| A. Net income (loss) | | 41784 | 4250 |
| B. Additions (includes non-conforming capital of | \$ | 4262 | 30220 |
| C. Deductions (includes non-conforming capital of | \$ | 4272 | 190000 |
| 2. Balance, end of period (From item 1800) | \$ | 198586 | 4290 |

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

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

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **MILESTONE FINANCIAL SERVICES INC.**

as of **6/30/07**

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- | | |
|---|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ⁹⁶ | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| Type of Proposed Withdrawal or Accrual (See below for code) | Name of Lender or Contributor | Insider or Outsider? (In or Out) | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY) Withdrawal or Maturity Date | Expect to Renew (Yes or No) | |
|---|-------------------------------|--|---|---|--------------------------------------|------|
| 31 | 4600 | 4601 | 4602 | 4603 | 4604 | 4605 |
| 32 | 4610 | 4611 | 4612 | 4613 | 4614 | 4615 |
| 33 | 4620 | 4621 | 4622 | 4623 | 4624 | 4625 |
| 34 | 4630 | 4631 | 4632 | 4633 | 4634 | 4635 |
| 35 | 4640 | 4641 | 4642 | 4643 | 4644 | 4645 |
| | | | Total \$₃₅ | | | 4699 |

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

| | |
|-------------------------|--------------------------|
| WITHDRAWAL CODE: | DESCRIPTIONS |
| 1. | Equity Capital |
| 2. | Subordinated Liabilities |
| 3. | Accruals |

MILESTONE FINANCIAL SERVICES INC.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

JUNE 30, 2007

SECRET
CONFIDENTIAL
PROTECTED
UNCLASSIFIED
DATE 06/21/07
BY [signature]

Canale & Tellekamp
CERTIFIED PUBLIC ACCOUNTANTS
140 SOUTH OCEAN AVENUE
FREEPORT, NEW YORK 11520

PHONE: (516) 868-1200
FAX: (516) 868-1206

THOMAS J. CANALE, C.P.A.
JONATHAN E. TELLEKAMP, C.P.A.

Milestone Financial Services, Inc.
1503 Lincoln Avenue
Holbrook, NY 11741

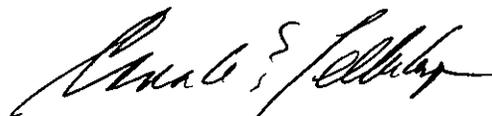
August 27, 2007

Gentlemen:

We have examined the Financial and Operational Combined Uniform Single Report of Milestone Financial Services, Inc. and the Statement of Cash Flows as of June 30, 2007. Our examination was made in accordance with generally accepted auditing standards and, accordingly, include a review of the system of internal control and the procedure for safeguarding securities as we considered necessary in the circumstances, including the audit procedures prescribed by the Securities and Exchange Commission. No material differences existed between corporation's corresponding unaudited Part II or Part IIA.

In our opinion, the accompanying Financial and Operational Combined Uniform Single Report presents fairly the financial position of Milestone Services, Inc. at June 30, 2007 in the form required by the Securities and Exchange Commission, in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding year. No material differences exist in the financial statements as compared to the prior years. During our audit no material inadequacies in the accounting system, internal accounting control and procedures for safeguarding securities were found to exist.

Very truly yours,



Canale & Tellekamp
Certified Public Accountants

Canale & Tellekamp
CERTIFIED PUBLIC ACCOUNTANTS
140 SOUTH OCEAN AVENUE
FREEPORT, NEW YORK 11520
—
PHONE: (516) 868-1200
FAX: (516) 868-1206

THOMAS J. CANALE, C.P.A.
JONATHAN E. TELLEKAMP, C.P.A.

August 28, 2007

U.S. Securities and Exchange Commission
Office of the Comptroller
450 Fifth Street N.W.
Washington, D.C. 20549

U.S. Securities and Exchange Commission
1401 Brickell Avenue - Suite 200
Miami, Florida 33131

National Association of Securities Dealers - District 7
1 Securities Center - Suite 500
3490 Piedmont Road N.E.
Atlanta, GA 30305

National Association of Securities Dealers Inc.
9509 Key West Avenue, 4th Floor
Rockville, Maryland 20850

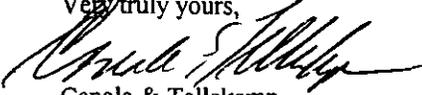
Reference : Milestone Financial Services Inc.
1503 Lincoln Avenue
Holbrook, NY 11741

Gentlemen:

Following is a capital computation of the above - referenced corporation as of June 30, 2007:

| | |
|----------------------------|-------------------|
| Total Assets | 381,715.36 |
| Less Total Liabilities | <u>183,129.41</u> |
| Net Worth | 198,585.95 |
| Less Non- Allowable Assets | <u>109,193.13</u> |
| Tentative Net Capital | 89,392.82 |
| Less Haircuts | <u>0.00</u> |
| Net Capital | 89,392.82 |
| Less Required Net Capital | <u>12,208.63</u> |
| Excess Net Capital | 77,184.19 |
| AI/NC Ratio | 205% |

Very truly yours,


Canale & Tellekamp

Milestone Financial Service Inc.
Statement of Cash Flows
For the Year Ended June 30, 2007

| | | |
|--|----|-----------------------|
| Cash Flows Provided by operation Activities | | |
| Net Income | \$ | 49,147.74 |
| Add Back Adjustments Not Affecting | | |
| Cash Flows - Depreciation | | 155.43 |
| Loss on Disposal of Assets | | 21,648.42 |
| | | |
| (Increase) in Commission Receivable | | (27,424.12) |
| Decrease in Other Receivable | | 121,721.42 |
| (Increase) in Receivable from Payroll Company | | (4,145.70) |
| (Increase) in Clearing Deposits - Net | | (24,920.66) |
| Decrease in prepaids , Deposits and Advances - Net | | 1,080.00 |
| Increase in Accounts Payable - Net | | 143,081.83 |
| Pay down of Commissions Payable | | (28,682.64) |
| Payment of Accrued Expenses | | (100,000.00) |
| Decrease in Broker Deposits | | (1,119.94) |
| Increase in Payroll Taxes Payable | | 7.20 |
| Payment of Federal Income Tax | | (7,363.96) |
| | | <hr/> |
| Cash Flows Provided by Operating Activities | \$ | 143,185.02 |
| | | |
| Cash Flows Provided by Operating Activities | | |
| Proceeds from Sale of Equipment | | 13,478.05 |
| | | |
| Cash Flows Provided by Financing Activities | | |
| Investment by Stockholder | | 30,220.00 |
| Purchase of Treasury Stock | | (190,000.00) |
| | | <hr/> |
| Cash Flows Provided by Financing Activities | | <hr/> (159,780.00) |
| | | |
| Net Decrease in Cash | | (3,116.93) |
| | | |
| Cash July 1, 2006 | | <hr/> 25,623.17 |
| | | |
| Cash June 30, 2007 | \$ | <hr/> <hr/> 22,506.24 |

END