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

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

SEC FILE NUMBER  
8- 66046

**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 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sorrento Pacific Financial, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

10455 Sorrento Valley Road, Suite 101

(No. and Street)

San Diego, CA 92121

(City)

(State)

(Zip Code)

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

Loraine Wiser

(858) 530-4423

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PKF, Certified Public Accountants

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

2020 Camino del Rio N., Ste. 500, San Diego, CA 92108

(Address)

(State)

06

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**FEB 25 2008**

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FINANCIAL**

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Section

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Washington, DC

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

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Amy Beattie, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sorrento Pacific Financial, LLC, as of December 31, 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



[Signature]  
Notary Public

[Signature]  
Signature  
Chief Operating Officer  
Title

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).

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SORRENTO PACIFIC FINANCIAL, LLC

ANNUAL FILING IN ACCORDANCE  
WITH RULE 17A-5

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

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**PKF**

SORRENTO PACIFIC FINANCIAL, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members of  
Sorrento Pacific Financial, LLC  
San Diego, California

We have audited the accompanying statements of financial condition of Sorrento Pacific Financial, LLC (the "Company"), a California limited liability corporation, as of December 31, 2007 and 2006, and the related statements of operations, changes in members' capital (deficit), changes in liabilities subordinated to the claims of general creditors and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sorrento Pacific Financial, LLC as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules on pages 12 through 14 is presented for purposes of additional analysis and are not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Diego, California  
February 5, 2008

  
PKF  
Certified Public Accountants  
A Professional Corporation

SORRENTO PACIFIC FINANCIAL, LLC  
 STATEMENTS OF FINANCIAL CONDITION  
 December 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 351,533	\$ 369,450
Receivables from clearing firm	20,833	16,448
Deposits with clearing organizations	30,000	30,000
Other receivables	13	944
Other assets and deposits	<u>46,887</u>	<u>86,877</u>
Total current assets	<u>449,266</u>	<u>503,719</u>
Property and equipment, net	<u>16,447</u>	<u>23,653</u>
Total assets	<u><u>\$ 465,713</u></u>	<u><u>\$ 527,372</u></u>

LIABILITIES AND MEMBERS' CAPITAL (DEFICIT)

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,653	\$ 41,579
Accrued commissions	158,010	166,442
Due to affiliate	2,006	2,952
Other accrued liabilities	<u>12,858</u>	<u>16,354</u>
Total current liabilities	<u>191,527</u>	<u>227,327</u>
Subordinated notes payable	<u>-</u>	<u>750,000</u>
MEMBERS' CAPITAL (DEFICIT)	<u>274,186</u>	<u>(449,955)</u>
Total liabilities and members' capital (deficit)	<u><u>\$ 465,713</u></u>	<u><u>\$ 527,372</u></u>

The accompanying notes are an integral part of these financial statements

SORRENTO PACIFIC FINANCIAL, LLC  
 STATEMENTS OF OPERATIONS  
 For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Commissions	\$ 2,667,015	\$ 2,680,309
Marketing assistance	67,427	71,846
Interest	46,795	35,784
Other	<u>240,528</u>	<u>90,322</u>
Total revenues	<u>3,021,765</u>	<u>2,878,261</u>
Expenses:		
Commissions and clearing	2,541,700	2,624,181
Employee compensation and benefits	288,708	524,502
Outside services	106,883	177,670
Taxes, licenses, and registration fees	32,304	18,026
Interest	15,659	49,297
Office supplies and printing	13,404	32,611
Communication and Technology	13,284	12,420
Insurance	13,077	10,512
Occupancy	11,979	43,923
Depreciation	7,205	11,554
Travel and entertainment	7,186	27,441
Meetings and Conferences	6,881	29,494
Other	4,577	10,235
Advertising and market development	<u>777</u>	<u>4,363</u>
Total expenses	<u>3,063,624</u>	<u>3,576,229</u>
Net loss	<u>\$ (41,859)</u>	<u>\$ (697,968)</u>

The accompanying notes are an integral part of these financial statements

SORRENTO PACIFIC FINANCIAL, LLC  
 STATEMENTS OF CHANGES IN MEMBERS' CAPITAL (DEFICIT)  
 For the years ended December 31, 2007 and 2006

	<u>Members' Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at December 31, 2005	\$ 1,026,000	\$ (777,987)	\$ 248,013
Net loss	<u>-</u>	<u>(697,968)</u>	<u>(697,968)</u>
Balance at December 31, 2006	1,026,000	(1,475,955)	(449,955)
Capital Conversion	750,000	-	750,000
Capital Contribution	16,000	-	16,000
Net loss	<u>-</u>	<u>(41,859)</u>	<u>(41,859)</u>
Balance at December 31, 2007	<u>\$ 1,792,000</u>	<u>\$ (1,517,814)</u>	<u>\$ 274,186</u>

The accompanying notes are an integral part of these financial statements

SORRENTO PACIFIC FINANCIAL, LLC  
STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED  
TO THE CLAIMS OF GENERAL CREDITORS  
For the years ended December 31, 2007 and 2006

Balance at December 31, 2005	\$ 250,000
Additions	<u>500,000</u>
Balance at December 31, 2006	750,000
Subordinated borrowings converted to capital	<u>(750,000)</u>
Balance at December 31, 2007	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

SORRENTO PACIFIC FINANCIAL, LLC  
 STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (41,859)	\$ (697,968)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,206	11,554
Decrease (increase) in assets:		
Receivables from clearing firm	(4,385)	5,832
Other receivables	931	(502)
Other assets and deposits	39,990	51,617
Increase (decrease) in liabilities:		
Accounts payable	(22,926)	27,867
Accrued commissions	(8,432)	128,823
Due to affiliate	(946)	2,851
Other accrued liabilities	(3,496)	6,893
Net cash used in operating activities	<u>(33,917)</u>	<u>(463,033)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	<u>-</u>	<u>(7,528)</u>
Net cash used in investing activities	<u>-</u>	<u>(7,528)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital contribution	16,000	-
Notes payable borrowings	<u>-</u>	<u>500,000</u>
Net cash provided by financing activities	<u>16,000</u>	<u>500,000</u>
Net (decrease) increase in cash and cash equivalents	(17,917)	29,439
Cash and cash equivalents at the beginning of the year	<u>369,450</u>	<u>340,011</u>
Cash and cash equivalents at the end of the year	<u>\$ 351,533</u>	<u>\$ 369,450</u>
<b>Supplemental disclosure of cash flow information:</b>		
<b>Cash paid during the year for:</b>		
Taxes	<u>\$ 7,625</u>	<u>\$ 1,350</u>
Interest	<u>\$ 15,659</u>	<u>\$ 49,297</u>
<b>Noncash transaction during the year for:</b>		
Conversion of subordinated debt	<u>\$ 750,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

SORRENTO PACIFIC FINANCIAL, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2007 and 2006

NOTE 1 - ORGANIZATION

Sorrento Pacific Financial, LLC (the "Company"), formerly Advanced Financial Solutions, LLC, was incorporated in California on February 19, 2003. The Company formally began doing business on October 10, 2003 as a broker-dealer registered with the Securities and Exchange Commission (SEC). The Company provides broker-dealer and investment advisory services exclusively for community banks as an introducing broker-dealer, clearing customer transactions through another broker-dealer on a fully disclosed basis.

NOTE 2 - ACCOUNTING POLICIES

Estimates

The financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Security transactions and the related commission revenue are recorded on a trade date basis.

Concentration of Credit Risk

The Company maintains cash balances with a financial institution. Management performs periodic evaluations of the relative credit standing of the institution. The Company has not sustained any material credit losses from this institution.

One Customer represented 13% of sales at December 31, 2007.

Income Taxes

Upon its incorporation the Company elected to be taxed as a Limited Liability Corporation (LLC). Accordingly, revenues and expenses are reported on the members' individual income tax returns, and no provision for federal income taxes is included in the Company's financial statements. The \$800 California minimum franchise tax paid by the Company in 2007 and 2006 has been recorded as tax expense for 2007 and 2006.

SORRENTO PACIFIC FINANCIAL, LLC  
 NOTES TO FINANCIAL STATEMENTS  
 For the years ended December 31, 2007 and 2006

NOTE 2 - ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Financial Instruments

The carrying values reflected in the statements of financial condition at December 31, 2007 and 2006 reasonably approximate the fair values for financial instruments. In making such assessment, the Company has utilized discounted cash flow analyses, estimates, and quoted market prices as appropriate. No allowance for potential credit losses was considered necessary at December 31, 2007 and 2006.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the depreciable assets which range from three to five years. Leasehold improvements are amortized over the life of the lease. Maintenance costs are considered period costs and are expensed when incurred. Property and equipment consists of the following at December 31:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 7,144	\$ 7,144
Phone equipment	6,145	6,145
Computers and equipment	25,047	25,048
Leasehold improvements	1,577	1,577
	<u>39,913</u>	<u>39,914</u>
Less: Accumulated depreciation and amortization	<u>23,466</u>	<u>16,261</u>
Total furniture and equipment, net	<u>\$ 16,447</u>	<u>\$ 23,653</u>

SORRENTO PACIFIC FINANCIAL, LLC  
 NOTES TO FINANCIAL STATEMENTS  
 For the years ended December 31, 2007 and 2006

NOTE 4 - NET CAPITAL REQUIREMENTS

In 2006, the Company, through approval of the FINRA, had its minimum net capital reduced from \$250,000 to \$5,000. The Company is subject to Rule 15c3-1(a)(2)(ii) of the Securities Exchange Act of 1934, as amended, which requires that the ratio of aggregate indebtedness to net capital, as defined, not exceed 15 to 1, and that the Company maintain minimum net capital of \$5,000 or 6 and 2/3% of aggregated indebtedness (approximately \$12,768 at December 31, 2007), whichever is higher. At December 31, 2007, the Company had net capital of \$198,069 in excess of the required minimum net capital and the ratio of aggregate indebtedness to net capital was 0.91 to 1.

At December 31, 2006, the Company had net capital of \$193,560. This was \$178,405 in excess of its required net capital at December 31, 2006, with a ratio of aggregate indebtedness to net capital of 1.21 to 1.

NOTE 5 - DEPOSITS

Deposits consist primarily of deposits with the Financial Industry Regulatory Authority (FINRA) and clearing firms.

NOTE 6 - LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

Subordinated notes payable to members bearing interest at prime, with a floor of 6% per annum:

Subordinated Liabilities at 12/31:

	2007	2006
Due January 2008	\$ -	\$ 250,000
Due January 2009	-	250,000
Due July 2009	-	250,000
	\$ -	\$ 750,000

During 2007, the Company sought and received permission from the FINRA to convert the subordinated borrowings to capital.

The subordinated borrowings are covered by agreements approved by the Financial Industry Regulatory Authority. The subordinated liability is added to shareholders' equity and excluded from aggregate indebtedness in computing net capital under Rule 15c3-1 of the Securities Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

SORRENTO PACIFIC FINANCIAL, LLC  
 NOTES TO FINANCIAL STATEMENTS  
 For the years ended December 31, 2007 and 2006

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company is involved in certain related party transactions with an affiliate, CUSO Financial Services, LP ("CUSO"). For the years ended December 31, 2007 and December 31, 2006, the Company was charged \$60,759 and \$69,856, respectively, by CUSO for administrative and consulting expenses. In 2005, the Company moved to a new facility and entered into a five year non-cancelable lease agreement with another related party. The lease commenced July 1, 2005 and expires June 30, 2010. Rent expense was \$11,137 and \$41,090 for the years ended December 31, 2007 and 2006, respectively. Future minimum lease commitments under the non-cancelable operating lease are as follows:

Year Ending December 31,	Total
2008	34,916
2009	34,916
2010	17,458
	\$ 87,290

Starting on October 1, 2006, CUSO was renting space from SPF with a rent offset of approximately \$9,075. Starting on July 1, 2007, CUSO was renting space from SPF with a rent offset of approximately \$11,349.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Financial Services Agreement

The Company has a financial services agreement with ICBA Financial Services Corporation ("ICBFS"). Under this agreement the Company provides back office operational and technology support in the areas of retail brokerage, financial planning, and insurance to the members of Independent Community Bankers of America ("ICBA") and ICBFS shall market its products and services and enhance ICBFS's services to Members. The term of this agreement is five years, commencing July 1, 2005 and ending June 30, 2010 with an automatic renewal of an additional five years, unless either party notifies the other of their intent to not renew.

Litigation

The Company is not involved in any material claims or litigation. Management does not believe there are claims that would have a material effect on the financial statements of the Company.

SORRENTO PACIFIC FINANCIAL, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2007 and 2006

NOTE 9 – EMPLOYEE 401(K) SAVINGS PLAN

The Company has a 401(k) savings plan (the "Plan") covering all eligible employees. The Plan provides for voluntary employee contributions up to a dollar limit prescribed by law. The Company does not make contributions to the Plan.

SUPPLEMENTARY INFORMATION

SORRENTO PACIFIC FINANCIAL, LLC  
 COMPUTATIONS OF NET CAPITAL  
 PURSUANT TO RULE 15c3-3 OF THE  
 SECURITIES AND EXCHANGE COMMISSION  
 December 31, 2007 and 2006

	2007	2006
Members' capital (deficit)	\$ 274,186	\$ (449,955)
Add: liabilities subordinated to the claims of general creditors	-	750,000
Less non-allowable assets:		
Deposits	(38,339)	(81,876)
Other assets	(8,562)	(944)
Property and equipment	(16,448)	(23,653)
Non-allowable assets	(63,349)	(106,473)
Less: Other deductions and/or charges	-	(12)
Net capital	\$ 210,837	\$ 193,560

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital required (6-2/3% of aggregate indebtedness or \$5,000, whichever is greater)	\$ 12,768	\$ 15,155
Net capital in excess of amount required	\$ 198,069	\$ 178,405
Aggregate indebtedness	\$ 191,527	\$ 227,327
Ratio of aggregate indebtedness to net capital	0.91 to 1	1.21 to 1

Note: There are no material differences between the net capital reported above and the net capital reported on Form FOCUS X-17A-5 Part IIA as of December 31, 2007 and 2006.

SORRENTO PACIFIC FINANCIAL, LLC  
COMPUTATIONS OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
For the years ended December 31, 2007 and 2006

The Company does not carry customer accounts; therefore, they are not required to compute reserve requirements in Part II of Form X-17A-5.

SORRENTO PACIFIC FINANCIAL, LLC  
 INFORMATION RELATING TO POSSESSION  
 OR CONTROL REQUIREMENTS UNDER RULE 15c3-3  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
State the market valuation and number of items:		
1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3	NONE	NONE
Number of items	NONE	NONE
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3	NONE	NONE
Number of items	NONE	NONE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Members of  
Sorrento Pacific Financial, LLC  
San Diego, California

In planning and performing our audits of the financial statements of Sorrento Pacific Financial, LLC, as of December 31, 2007 and 2006, we considered its internal controls, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal controls 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 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 controls 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

Our consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 elements do not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the accounting system and control procedures that we consider to be a material weakness 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 Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 and 2006 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

San Diego, California  
February 5, 2008

  
PKF  
Certified Public Accountants  
A Professional Corporation

**END**