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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 8-23508

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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

SEC Mail Processing Section FEB 27 2008 Washington, DC 104

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Unified Financial Securities, INC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

2960 N. Meridian St. Ste 300 (No. and Street)

INDpls., IN 46208 (City) (State) (Zip Code)

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

Steve Highsmith 317-917-7031 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

JD Cloud & Co LLP (Name - if individual, state last, first, middle name)

1100 Mercantile Center, 120 E. 4th St., Cincinnati, OH 45202 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED MAR 05 2008 THOMSON FINANCIAL

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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)

OATH OR AFFIRMATION

I, Stephen D. Highsmith, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Unified Financial Securities, INC, 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:

Stephen D. Highsmith, Jr.  
Signature

SR. VICE PRESIDENT  
Title

JUDY K LYNCH

Judy K Lynch  
Notary Public

COMMISSION EXPIRES 11-06-08

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

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

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

**UNIFIED FINANCIAL SECURITIES, INC.**  
**(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)**

**FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**  
**and**  
**SUPPLEMENTARY INFORMATION AND**  
**REPORT ON INTERNAL CONTROL**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Unified Financial Securities, Inc.  
Indianapolis, Indiana

We have audited the accompanying statement of financial condition of Unified Financial Securities, Inc. (a wholly-owned subsidiary of Huntington Bancshares, Inc.) as of December 31, 2007, 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Unified Financial Securities, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

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 A, B and C 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.

*J. D. Cloud & Co. L.L.P.*  
Certified Public Accountants

February 21, 2008

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)

**STATEMENT OF FINANCIAL CONDITION**

At December 31, 2007

- ASSETS -

CURRENT ASSETS:	
Cash and cash equivalents	\$ 481,633
Accounts receivable - trade	102,337
Prepaid and other assets	<u>16,029</u>
TOTAL CURRENT ASSETS	<u>599,999</u>
DEFERRED TAX ASSET	<u>824</u>
INTANGIBLE ASSETS:	
Goodwill	358,174
Other intangible assets (net of accumulated amortization of \$31,358)	<u>146,092</u>
TOTAL INTANGIBLE ASSETS	<u>504,266</u>
TOTAL ASSETS	\$ <u>1,105,089</u>

- LIABILITIES AND STOCKHOLDER'S EQUITY -

CURRENT LIABILITIES:	
Payable to broker - dealers	\$ 1,263
Payable to affiliated companies	33,239
Accounts payable and accrued expenses	215,842
Income tax payable	<u>9,413</u>
TOTAL CURRENT LIABILITIES	<u>259,757</u>
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDER'S EQUITY:	
Common stock, no par value, 2,000 shares authorized, 1,800 issued and outstanding	1,800
Additional paid-in capital	750,432
Retained earnings	<u>93,100</u>
TOTAL STOCKHOLDER'S EQUITY	<u>845,332</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ <u>1,105,089</u>

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

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)

**STATEMENT OF OPERATIONS**

For the year ended December 31, 2007

REVENUE:	
Brokerage and brokerage services	\$ 296,380
Administrative and support services	309,027
Other	<u>19,106</u>
TOTAL REVENUE	<u>624,513</u>
EXPENSES:	
Employee compensation and benefits	139,977
Occupancy	7,278
Amortization of intangibles	31,358
Professional fees	96,936
Intercompany management fee	205,593
Dues and memberships	19,757
Telephone	8,597
Other	<u>6,663</u>
TOTAL EXPENSES	<u>516,159</u>
OTHER INCOME:	
Merger of NASD and NYSE	<u>35,000</u>
Income before income taxes	143,354
Income tax expense	<u>50,254</u>
NET INCOME	\$ <u>93,100</u>

J. D. CLOUD & CO. L.L.P., CERTIFIED PUBLIC ACCOUNTANTS, CINCINNATI

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

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

For the year ended December 31, 2007

	Common Stock	Additional Paid- in Capital	Retained Earnings	Total
Balance - January 1, 2007	\$ 1,800	754,920	-	756,720
Net income	-	-	93,100	93,100
Purchase accounting adjustments	<u>-</u>	<u>(4,488)</u>	<u>-</u>	<u>(4,488)</u>
Balance - December 31, 2007	\$ <u>1,800</u>	<u>750,432</u>	<u>93,100</u>	<u>845,332</u>

J. D. CLOUD & CO. L.L.P., CERTIFIED PUBLIC ACCOUNTANTS, CINCINNATI

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

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income	\$ 93,100
Adjustments to reconcile net income to net cash flows from operating activities:	
Amortization of intangibles	31,358
Bad debt expense	1,396
(Increase) decrease in operating assets:	
Accounts receivable	(2,996)
Prepaid and other assets	4,721
Deferred tax asset	(824)
Increase (decrease) in operating liabilities:	
Payable to broker dealers	(290)
Payable to affiliated companies	6,402
Income taxes payable	9,413
Accounts payable and accrued expenses	<u>202,780</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>345,060</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	345,060
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>136,573</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 481,633</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION:</b>	
Income taxes paid	<u>\$ 14,507</u>

J. D. CLOUD & CO. L.L.P., CERTIFIED PUBLIC ACCOUNTANTS, CINCINNATI

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

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unified Financial Securities, Inc. (the "Company"), an Indiana corporation, is a wholly-owned subsidiary of Huntington Bancshares, Inc. ("Huntington"). The Company is a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company provides passive distribution services to the mutual fund industry. The Company operates under Section (k)(1) of Rule 15c3-3 of the Securities and Exchange Act of 1934, and is therefore exempt from the requirements of Rule 15c3-3.

It is the policy of the Company to employ U.S. generally accepted accounting principles in the preparation of its financial statements. A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**USE OF ESTIMATES –**

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BASIS OF ACCOUNTING –**

On December 31, 2006, Huntington consummated its purchase of Unified Funds Services, Inc. ("Funds"), a wholly-owned subsidiary of Unified Financial Services, Inc., and the Company. In connection with this acquisition, the purchase price was allocated to each acquired entity based on its proportionate share of revenues, cash flows and underlying assets and capital. In accordance with Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations", the Company's share of the purchase price was allocated to the estimated fair value of the Company's assets acquired and liabilities assumed. These financial statements reflect the effect of "push-down" accounting applicable to the Company as of the acquisition date resulting from this transaction in that assets acquired and liabilities assumed are recorded at the fair value of the applicable assets and liabilities at the date of purchase. In 2006, the push-down accounting adjustments included recognition of goodwill of \$362,662, other intangible assets of \$177,450, and a write-down of the net book value of fixed assets of \$7,639. In 2007, the Company finalized the purchase accounting resulting in a decrease in goodwill of \$4,488.

**CASH AND CASH EQUIVALENTS –**

For purposes of the statements of cash flows, management considers all liquid investments with a maturity of three months or less to be cash equivalents.

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ACCOUNTS RECEIVABLE –**

The Company carries its accounts receivable at the amount billed. The Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

**INTANGIBLE ASSETS –**

In accordance with SFAS No. 142, goodwill is not amortized, but is analyzed for impairment annually. In connection with this analysis, should the carrying amount of goodwill exceed its fair value, an impairment loss is recognized.

The other intangible assets represent the fair value assigned to customer relationships. This asset is being amortized over its estimated useful life of ten years using an accelerated method beginning January 1, 2007. The estimated amortization for the years 2008 through 2012 are approximately \$29,000, \$26,000, \$23,000 \$19,000, and \$16,000, respectively.

**INCOME TAXES-**

Income taxes are accounted for using the liability method. Under this method, deferred income taxes are determined based upon enacted tax rates applied to the differences between the financial statement and tax bases of assets and liabilities. The Company is included in the consolidated federal income tax return of Huntington Bancshares, Inc. Huntington's consolidated tax provision is allocated to its separate subsidiary companies on the basis of separate return computations. Under its tax sharing agreement with Huntington, Unified provides and remits income taxes to or receives an income tax benefit from Huntington.

**NOTE 2 - LEASES**

The Company has an operating lease expiring December 31, 2017 for office facilities. This obligation is allocated between the Company and Funds. The lease includes a clause for an adjustment for excess operating costs and real estate taxes.

The Company had operating leases expiring on December 31, 2007 for office facilities and equipment. Such obligations were allocated between the Company and Funds.

The Company's allocation of rent expense was \$7,278 for the year ended December 31, 2007.

**NOTE 3 - INCOME TAXES**

The provision for income taxes for the year ended December 31, 2007 consists of the following components:

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

**NOTE 3 - INCOME TAXES (continued)**

Current expense	\$ 51,078
Deferred tax benefit	<u>(824)</u>
Income tax expense	\$ <u>50,254</u>

At December 31, 2007, the deferred tax asset consisted solely of the tax effect of the difference in the tax basis and carrying value of intangible assets.

**NOTE 4 - TRANSACTIONS WITH RELATED PARTIES**

Huntington allocates corporate overhead costs to the Company. These expenses are allocated based upon the number of employees. Unpaid reimbursement expenses and advances result in amounts payable to Huntington.

The allocation of overhead by Huntington was \$25,102 for 2007. At December 31, 2007, the Company had payables to Huntington, included in accounts payable and accrued expenses, of \$86,475.

The Company and Funds share leased office facilities, equipment, and administrative services. Funds pays the expenses and charges the Company. These expenses are allocated based upon estimated usage. Any unpaid reimbursement expenses and advances result in amounts payable to Funds.

The allocation of overhead by Funds was \$180,491 for 2007. At December 31, 2007, the Company had payables to Funds of \$33,239.

At December 31, 2007, the Company has a trade receivable outstanding for \$1,933 from certain Huntington sponsored mutual funds serviced by the Company. Additionally, the cash and cash equivalents is an investment money market funds managed by Huntington.

**NOTE 5 - EMPLOYEE BENEFIT PLANS**

Huntington maintains a 401(k) Plan and matches the employee's contribution of one hundred percent on the first three percent and fifty percent of the next two percent of the employee's before-tax contribution. For the year ended December 31, 2007, the Company's contribution was \$2,784.

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly-Owned Subsidiary of Huntington Bancshares, Inc.)  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

**NOTE 6 - FINANCIAL INSTRUMENTS AND CONCENTRATIONS**

Financial instruments, which potentially subject the Company to concentrations of credit risk, are cash and cash equivalents, and accounts receivable. The cash and cash equivalents consisting of investments in money funds are maintained with regional high credit quality financial institutions.

The accounts receivable results from a broad base of mutual fund customers. At times, cash balances held in financial institutions may exceed federally insured limits. The Company believes no significant concentration of credit risk exists with respect to these financial statements.

The Company had outstanding receivables from one mutual fund family totaling \$64,514 at December 31, 2007. Revenues from this mutual fund family for 2007 were \$270,307.

**NOTE 7 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's "Uniform Net Capital Rule" (rule 15c3-1). The Uniform Net Capital Rule requires the Company to maintain a minimum net capital, as defined, of 6 2/3% of aggregate indebtedness or \$5,000 at December 31, 2007, whichever is greater, and a ratio of aggregate indebtedness to net capital of not more than 15 to 1. At December 31, 2007, Securities had net capital of \$213,506, which was \$196,189 in excess of its required net capital of \$17,317, and a net capital ratio of 1.22 to 1.

SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Huntington Bancshares, Inc.)

**COMPUTATION OF NET CAPITAL**

As of December 31, 2007

<b>NET CAPITAL:</b>	
Total stockholder's equity	\$ <u>845,332</u>
Deductions and/or charges:	
Accounts receivable	(101,074)
Intangible assets	(504,266)
Prepaid and other assets	<u>(16,853)</u>
	<u>(622,193)</u>
Net capital before haircuts on securities positions	<u>223,139</u>
<b>HAIRCUTS ON SECURITIES:</b>	
Common stock	-
Money market investments	9,633
Other	<u>-</u>
	<u>9,633</u>
<b>NET CAPITAL</b>	<b>\$ <u>213,506</u></b>
<b>COMPUTATION OF AGGREGATE INDEBTEDNESS:</b>	
Total liabilities	\$ <u>259,757</u>
<b>TOTAL AGGREGATE INDEBTEDNESS</b>	<b>\$ <u>259,757</u></b>
<b>COMPUTATION OF NET CAPITAL REQUIREMENT:</b>	
Net capital requirement (greater of 6 2/3% aggregate indebtedness or \$5,000 for 2005)	\$ <u>17,317</u>
Excess net capital	\$ <u>196,189</u>
Excess net capital if 1,000% (net capital, less 10% of aggregate indebtedness)	\$ <u>187,530</u>
Ratio: Aggregate indebtedness to net capital	<u>1.22 to 1</u>

No material differences exist between the above computation and the computation in the Company's unaudited FOCUS Report (Form-X-17A-5).

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Huntington Bancshares, Inc.)

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**

As of December 31, 2007

This calculation is not required. The Company is claiming exemption from Rule 15c3-3 under the exemption provision of Rule 15c3-3(k)(1).

J. D. CLOUD & CO. L.L.P., CERTIFIED PUBLIC ACCOUNTANTS, CINCINNATI

**UNIFIED FINANCIAL SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Huntington Bancshares, Inc.)

**INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS**

As of December 31, 2007

This calculation is not required. The Company is claiming exemption from Rule 15c3-3 under the exemption provision of Rule 15c3-3(k)(1).

J. D. CLOUD & CO. L.L.P., CERTIFIED PUBLIC ACCOUNTANTS, CINCINNATI



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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL ACCOUNTING CONTROL  
REQUIRED BY SEC RULE 17a-5**

Board of Directors  
Unified Financial Securities, Inc.  
Indianapolis, Indiana

In planning and performing our audit of the financial statements of Unified Financial Securities, Inc., (a wholly-owned subsidiary of Huntington Bancshares, Inc.) (the "Company") as of and for the year ended December 31, 2007, in accordance with U.S. generally accepted auditing standards, 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, 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.

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 financial statements 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 December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the use of the stockholder, Board of Directors, management, the SEC, the Financial Industry Regulatory Authority 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.

*J. D. Cloud & Co. L.L.P.*  
Certified Public Accountants

February 21, 2008

**END**