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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 *A*

SEC FILE NUMBER
8-32099

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 10/01/06 AND ENDING 09/30/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Lawson Financial Corporation

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

OFFICIAL USE ONLY

FIRM I.D. NO.

3352 East Camelback Road

(No. and Street)

Phoenix

(City)

Arizona

(State)

85018

(Zip Code)

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

Lona Nanna

(602) 381-8588

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Merlin Schumann & Company, P.C.

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

PROCESSED

JAN 17 2008

THOMSON
FINANCIAL

2505 West Beryl Ave. Suite #300 Phoenix, AZ 85021

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

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Mail Processing
Section

JAN 23 2008

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)

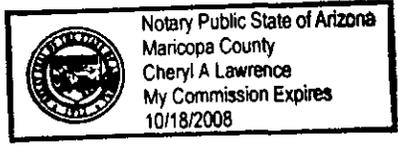
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OATH OR AFFIRMATION

I, Robert W. Lawson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lawson Financial Corporation, as of September 30, 20 07, 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:

[Signature]
Signature
PRESIDENT
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 Cash Flows
- (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).

MERLIN SCHUMANN & COMPANY, P.C.

Certified Public Accountants

Merlin J. Schumann, CPA
Charles M. Adriano, CPA
Scott R. Gastineau, CPA

Independent Auditors' Report

The Board of Directors
Lawson Financial Corporation

We have audited the accompanying statement of financial condition of Lawson Financial Corporation, an Arizona Corporation, as of September 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 Lawson Financial Corporation at September 30, 2007, and the results of their operations and their 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 of 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.

Merlin Schumann & Co

November 15, 2007

LAWSON FINANCIAL CORPORATION
Statement of Financial Condition
September 30, 2007

ASSETS

Cash and cash equivalents	\$	107,259
Cash segregated under federal and other regulation		10,508
Commissions receivable:		
-private placements		85,850
-limited partnerships		19,040
Securities owned:		
-marketable		2,621,038
Employee receivables		54,303
Other receivables		100,101
Furniture, equipment and leasehold improvements net of accumulated depreciation of \$271,114		57,600
Interest receivable		37,801
Prepaid expenses		16,328
Other assets		20,931
Total Assets	\$	<u><u>3,130,759</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Due to clearing organization	\$	1,547,269
Commissions payable		280,638
Payable to related party		38,705
Accounts payable		54,061
Accrued expenses		23,262
Total Liabilities		<u>1,943,935</u>
Common stock, \$.01 par value, authorized 100,000 shares, issued 86,000 shares, outstanding 51,000 shares		860
Additional paid-in capital		274,140
Retained earnings		1,103,828
Less 35,000 shares of treasury stock at cost		(192,004)
Total Stockholder's Equity		<u>1,186,824</u>
Total Liabilities and Stockholder's Equity	\$	<u><u>3,130,759</u></u>

The accompanying notes are an integral part of the financial statements

LAWSON FINANCIAL CORPORATION
Statement of Income
For the Year Ended September 30, 2007

REVENUES

Trading profits	\$ 1,559,734
Investment banking	1,073,462
Commissions	642,835
Interest income	782,336
	<hr/>
	4,058,367
	<hr/>

EXPENSES

Employee compensation and benefits	1,984,844
Occupancy and equipment costs	299,102
General and administrative	282,007
Interest	681,915
Advertising	115,624
Regulatory fees and expenses	151,256
Professional fees	93,899
Communications and data processing	107,845
Insurance	88,545
Postage	70,247
Seminars	48,678
Depreciation	10,716
Miscellaneous	66,261
	<hr/>
	4,000,939
	<hr/>

Net income	\$ 57,428
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

Lawson Financial Corporation
Statement of Changes in Stockholder's Equity
For the Year Ended September 30, 2007

	Common Stock	Additional Paid in Capital	Treasury Stock	Retained Earnings	Total
Balance, October 1, 2006	860	274,140	(192,004)	\$ 1,046,400	\$ 1,129,396
Net income for the year ended September 30, 2007				57,428	57,428
Balance, September 30, 2007	<u>860</u>	<u>274,140</u>	<u>(192,004)</u>	<u>\$ 1,103,828</u>	<u>\$ 1,186,824</u>

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

LAWSON FINANCIAL CORPORATION
Statement of Cash Flows
For the Year Ended September 30, 2007

Cash flows from operating activities:	
Net income	\$ 57,428
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	10,716
Loss on disposal of fixed assets	2,088
Increase (decrease) in cash resulting from changes in:	
Receivable from clearing organization	103,997
Commissions receivable	(87,082)
Securities owned, marketable	(1,609,048)
Employee receivable	22,821
Other receivables	(52,897)
Interest receivable	(28,968)
Prepaid expenses	(9,248)
Other assets	28,215
Payable to clearing organization	1,547,269
Commissions payable	42,428
Accounts payable, accrued expenses, and other liabilities	6,407
Related party payable	(11,210)
	<hr/>
Net cash provided by operating activities	22,916
Cash flows from investing activities:	
Purchase of furniture and equipment	(17,790)
	<hr/>
Net increase in cash and cash equivalents	5,126
Cash and cash equivalents, beginning of year	112,641
	<hr/>
Cash and cash equivalents, end of year	\$ 117,767
	<hr/> <hr/>
Supplemental cash flow information:	
Cash paid for interest	\$ 681,915
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

LAWSON FINANCIAL CORPORATION
Notes to Financial Statements
September 30, 2007

1. Summary of Significant Accounting Policies

a. Basis of Presentation

Lawson Financial Corporation (the Company) is a self-clearing securities broker-dealer and engages in activities as a market maker with offices in Arizona and Florida. However, the Company conducts most security transactions fully disclosed with Pershing, LLC, which acts as its clearing broker. These statements have been prepared in accordance with established standards for securities broker-dealers. The following is a summary of significant accounting policies followed by the Company. The policies conform with accounting principles generally accepted in the United States of America and require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingent assets and liabilities in the financial statements. Actual results could differ from those estimates. For the year ended September 30, 2007, there is no difference between the Company's net income and comprehensive income.

b. Cash Equivalents

Cash equivalents include highly liquid debt instruments and other short-term investments with an original maturity of three months or less.

Cash equivalents at September 30, 2007 consisted of:

Cash	\$ 107,259
Cash segregated under federal and other regulations	<u>10,508</u>
	\$ <u>117,767</u>

c. Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date basis, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

LAWSON FINANCIAL CORPORATION
Notes to Financial Statements
September 30, 2007

1. Summary of Significant Accounting Policies, continued

d. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are carried at cost. Depreciation is computed using accelerated methods with estimated lives of five or seven years. Leasehold improvements are amortized over the estimated economic useful life of the improvement.

e. Investment Banking

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking management fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

f. Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

g. Income Taxes

As of July 1, 1991, the Company elected to be treated as a Subchapter S Corporation under Section 1362 of the Internal Revenue Code. Consequently, the components of the Company's taxable results have been reported on the individual income tax return of the Company's stockholder since that date.

h. Advertising

Advertising and promotion costs are expensed as incurred.

2. Cash Segregated Under Federal and Other Regulations

Cash of \$10,508 has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

3. Deposit with Clearing Organization

The Company is required to hold a cash deposit with its clearing broker. The deposit requirements are a contractual obligation between the Company and its clearing broker and can be adjusted based on the type and value of securities held in

LAWSON FINANCIAL CORPORATION
Notes to Financial Statements
September 30, 2007

3. Deposit with Clearing Organization(continued)

inventory. In lieu of a clearing deposit, the Company obtained a letter of credit with M&I Marshall & Ilsley Bank in the amount of \$100,000 which can only be used to satisfy any clearing deficits with Pershing, LLC., the Company's clearing broker. As of September 30, 2007, the Company had not drawn on the letter of credit. The letter of credit specifies an interest rate of 3% in excess of prime. The line is collateralized by substantially all of the Company's assets.

4. Securities Owned

The amortized cost and estimated market values of investment trading securities at September 30, 2007 are as follows:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Estimated market value</u>
Municipal bonds	\$ 1,930,218	12,610	9,364	1,933,464
Corporate obligations	379,850	3,484	5,722	377,612
Other securities	275,995	14,484	5,684	284,795
Stocks	<u>10,853</u>	<u>14,314</u>	<u>-</u>	<u>25,167</u>
	<u>\$ 2,596,916</u>	<u>44,892</u>	<u>20,770</u>	<u>2,621,038</u>

The net unrealized gain at September 30, 2007 is \$24,122 and is recognized in the current statement of income.

The amortized cost and estimated market value of investment trading securities at September 30, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or pre-pay obligations with or without call or prepayment penalties.

	<u>Amortized cost</u>	<u>Estimated market value</u>
Due in one to five years	\$ 36,376	35,692
Due in five to fifteen years	220,882	222,941
Due in fifteen years to twenty years	169,760	171,155
Due in twenty years to thirty-five years	<u>1,503,200</u>	<u>1,503,676</u>
	1,930,218	1,933,464
Corporate Obligations	379,850	377,612
Other Securities	275,995	284,795
Stocks	<u>10,853</u>	<u>25,167</u>
	<u>\$ 2,596,916</u>	<u>2,621,038</u>

LAWSON FINANCIAL CORPORATION
Notes to Financial Statements
September 30, 2007

5. Payable to Clearing Organization

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The amount payable to the clearing organization in the amount of \$1,547,269 at September 30, 2007 is collateralized by securities owned by the Company.

6. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 related net capital ratio may fluctuate on a daily basis. At September 30, 2007, the Company had net capital of \$704,342, which was \$454,342 in excess of its required net capital of \$250,000. The Company's aggregate indebtedness to net capital ratio was .56 to 1.

7. Lease Commitments

The Company has obligations under operating leases with initial noncancelable terms in excess of one year. Future minimum lease obligations for office space and equipment at September 30, 2007, are as listed below:

Years ending September 30	
2008	\$ 217,036
2009	228,490
2010	<u>6,455</u>
	\$ <u>451,981</u>

Certain leases contain escalation clauses. Rent expense for operating leases for the year ended September 30, 2007 was \$299,101.

8. Related Party Transactions

The Company leases a condominium from a stockholder on a month-to-month basis. The rent for the year ended September 30, 2007, was \$35,807, which is included in occupancy and equipment costs.

The Company leases its corporate offices from a company partially owned by the stockholder on a month-to-month basis. The rent during the year ending September 30, 2007 was \$128,115, which is included in occupancy and equipment costs.

LAWSON FINANCIAL CORPORATION
Notes to Financial Statements
September 30, 2007

8. Related Party Transactions, (continued)

The Company has recorded a \$38,705 liability to related parties.

9. 401(k) Plan

The Company has a 401(k) plan, which covers substantially all full-time employees over age 21 with at least one year of service. The plan provides for employee deferrals of up to 15% of annual compensation, or the annual deferral limit as set by the Internal Revenue Code. The Company does not make matching contributions.

10. Concentrations and Credit Risks

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event the counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

In normal industry practices, brokerage firms sell securities not yet purchased for their own account. The establishment of short positions exposes firms to off-balance sheet market risk in the event prices increase, as the firms may be obligated to acquire the securities at prevailing market prices.

The Company maintains bank accounts with balances in excess of federally insured limits, which exposes the Company to risk in the event of a bank failure. The Company had deposits in excess of the federally insured limits in the amount of \$37,444 at September 30, 2007.

SUPPLEMENTARY INFORMATION

Schedule I

LAWSON FINANCIAL CORPORATION
Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission
As of September 30, 2007

Net Capital		
Total stockholder's equity		\$ 1,186,824
Nonallowable assets		
Commissions receivable	32,265	
Employee receivables	54,303	
Other receivables	100,101	
Prepaid expenses	16,328	
Furniture, equipment and leasehold improvements	57,600	
Other assets	20,931	
	<u> </u>	
Total deductions		<u>281,528</u>
Net capital before haircuts on securities positions		905,296
Haircuts		
State and municipal government obligations	130,031	
Other securities	42,719	
Corporate obligations	24,429	
Stocks and warrants	3,775	
	<u> </u>	
Total haircuts		<u>200,954</u>
Net capital		<u>\$ 704,342</u>
Aggregate indebtedness		
Accounts payable, accrued expenses, and other liabilities, as adjusted		<u>\$ 396,666</u>
Computation of basic net capital requirement		
Minimum net capital required (6 2/3% of aggregate indebtedness)		<u>\$ 26,444</u>
Minimum dollar net capital requirement		<u>\$ 250,000</u>
Net capital requirement (greater of above)		<u>\$ 250,000</u>
Excess net capital		<u>\$ 454,342</u>
Excess net capital at 100%		<u>\$ 664,675</u>
Ratio: Aggregate indebtedness to net capital		<u>.56 to 1</u>

Schedule I, (continued)

LAWSON FINANCIAL CORPORATION
Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission
As of September 30, 2007

**Reconciliation of the computation of net capital with the computations included
in Part IIA of Form X17A-5 as of the same date.**

Net capital per focus report	\$ 723,331
Changes resulting from audit adjustments	
Increase in accounts payable	<u>(18,989)</u>
Net capital per audit report	<u>\$ 704,342</u>

Schedule II

LAWSON FINANCIAL CORPORATION

**Computation for Determination of Reserve Requirements for Broker Dealers
Under Rule 15c3-3 of the Securities and Exchange Commission
As of September 30, 2007**

Credit balances

Free credit balances and other credit balances in customers' security accounts	\$ -
Monies borrowed, collateralized by securities carried for the accounts of customers	-
Monies payable against customers' securities loaned	-
Customers' securities failed to receive	-
Credit balances in firm accounts which are attributable to principal sales to customers	-
Market value of stock dividends, stock splits and similar distributions receivable outstanding over thirty calendar days	-
Market value of short security count differences over thirty calendar days old	-
Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over thirty calendar days	-
Market value of securities which are in transfer in excess of forty calendar days and have not been confirmed to be in transfer agent or issuer during the forty days	-
Total credit items	<u>-</u> <u>-</u>

Debit balances

Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection and net of deductions pursuant to Rule 15c3-3	-
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	-
Failed to deliver customers' securities not older than thirty calendar days	-
Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts	-
Total debit items	<u>-</u> <u>-</u>
Excess of total credits over total debits	<u>\$ -</u> <u>-</u>

Reserve Computation

105% of total credits over total debits	\$ <u>-</u>
Amount held on deposit in reserve bank accounts	\$ <u>10,508</u>

Note: The Computation of Reserve Requirements under Rule 15c3-3 as of September 30, 2007 computed by Lawson Financial Corporation in its Form X-17A-5, Part II filed with the National Association of Security Dealers, Inc. on October 26, 2007, agrees with that shown above.

Schedule III

LAWSON FINANCIAL CORPORATION
Information relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission
As of September 30, 2007

1. Customers' fully paid and excess margin securities not in the respondent's possession or control as of September 30, 2007 for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under rule 15c3-3.

\$ -

A. Number of items

 -

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of September 30, 2007, excluding items arising from "temporary lags which result from normal business operations" as permitted under rule 15c3-3.

\$ -

A. Number of items

 -

MERLIN SCHUMANN & COMPANY, P.C.

Certified Public Accountants

Independent Auditors' Report on the Internal Control Structure Required by SEC Rule 17a-5

Board of Directors
Lawson Financial Corporation

In planning and performing our audit of the statements and supplemental schedules of Lawson Financial Corporation (the Company), for the year ended September 30, 2007, we considered its internal control, including control activities 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 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 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. Although the Company has the ability to conduct business as a self clearing-broker, for the year ended September 30, 2007 they were conducting business as an introducing broker-dealer. Because the Company did 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
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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3

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 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

Independent Auditors' Report on the Internal Control Structure
Required by SEC Rule 17a-5(Continued)

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 or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 were adequate at September 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.

Merit Schumann & Co

November 15, 2007

END