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

FEB 27 2008

SEC FILE NUMBER
8- 65924

Washington, DC

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 01/01/2007 AND ENDING 12/31/2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY
FIRM I.D. NO.

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

195 Church Street 7th Floor

(No. and Street)

New Haven, Connecticut 06510

(City)

(State)

(Zip Code)

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

Richard Troutman

(203) 789-2743

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PriceWaterhouseCoopers, LLP

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

185 Asylum Street, Suite 2400 Hartford, Connecticut 06103

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 19 2008

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J THOMSON FINANCIAL

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

SEC 1410 (06-02)

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JD
3/18/08

OATH OR AFFIRMATION

I, John F. Newman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NewAlliance Investments, 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:


Signature
President
Title


Notary Public

DONALD F. PATENAUDE
NOTARY PUBLIC
MY COMMISSION EXPIRES 4/31/2010

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).

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Washington, DC
105

PricewaterhouseCoopers LLP
185 Asylum Street, Suite 2400
Hartford, CT 06103-3404
Telephone (860) 241 7000
Facsimile (860) 241 7590

To the Board of Directors of
NewAlliance Investments, Inc.

In planning and performing our audit of the financial statements of NewAlliance Investments, Inc. (the "Company") as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "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 compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. 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 the quarterly securities examinations, counts, verifications, and comparisons, and the 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; and
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers 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 control 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 or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls 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 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, second, and third 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 were adequate at December 31, 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, 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.

PricewaterhouseCoopers LLP

February 25, 2008

Report of Independent Auditors

To the Board of Directors of
NewAlliance Investments, Inc.

In our opinion, the accompanying statements of financial condition and the related statements of income, of changes in shareholder's equity and cash flows present fairly, in all material respects, the financial position of NewAlliance Investments, Inc. (the "Company") at 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. These financial statements that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I 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.

PricewaterhouseCoopers LLP

February 25, 2008

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Statements of Financial Condition
December 31, 2007 and 2006

	2007	2006
Assets		
Cash	\$ 6,940,235	\$ 4,567,921
Deposit with clearing broker	55,691	53,598
Total cash and cash equivalents	<u>6,995,926</u>	<u>4,621,519</u>
Securities owned, at fair value	16,329	110,642
Accrued income receivable	268,545	359,111
Fixed assets	83,629	123,825
Receivable from Parent	-	1,844
Goodwill	737,420	-
Customer relationship intangible	1,256,516	-
Other assets	42,555	168,628
Total assets	<u>\$ 9,400,920</u>	<u>\$ 5,385,569</u>
Liabilities and Shareholder's Equity		
Liabilities		
Accrued expenses and other liabilities	\$ 400,390	\$ 271,468
Payable to Parent	156,526	-
Accrued income taxes payable to Parent	500,431	340,249
Deferred tax liability	439,781	-
Total liabilities	<u>1,497,128</u>	<u>611,717</u>
Shareholder's Equity		
Common stock: \$10 per share, 5,000 shares authorized and outstanding	50,000	50,000
Additional paid-in-capital	3,215,705	1,215,705
Retained earnings	4,638,087	3,508,147
Total shareholder's equity	<u>7,903,792</u>	<u>4,773,852</u>
Total liabilities and shareholder's equity	<u>\$ 9,400,920</u>	<u>\$ 5,385,569</u>

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

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Statements of Income
For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenues		
Commissions - fixed annuity income	\$ 1,398,899	\$ 1,326,327
Commissions - investment security product sales	4,174,442	3,433,548
Asset management income	828,053	-
Commissions - insurance product sales	577,249	614,910
Other income	72,550	30,565
Total revenues	7,051,193	5,405,350
Expenses		
Salaries, wages and benefits	4,218,079	3,041,577
Occupancy and equipment	179,778	172,283
Fees and services	320,252	304,914
Advertising	73,956	61,602
Office supplies	97,029	71,903
Amortization of customer relationship intangible	106,484	-
Other operating expense	90,503	19,057
Total expenses	5,086,081	3,671,336
Income before income taxes	1,965,112	1,734,014
Income tax	(835,172)	(762,966)
Net income	\$ 1,129,940	\$ 971,048

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

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Statements of Changes in Shareholder's Equity
For the Years Ended December 31, 2007 and 2006

Balance at December 31, 2005	\$ 3,802,804
Net income	971,048
Balance at December 31, 2006	4,773,852
Shareholder's contribution	2,000,000
Net income	1,129,940
Balance at December 31, 2007	\$ 7,903,792

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

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Net income	\$ 1,129,940	\$ 971,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	45,613	51,615
Amortization of customer relationship intangible	106,484	-
Changes in assets and liabilities:		
Decrease (increase) in securities owned	94,313	(110,642)
Decrease in accrued income receivable	90,566	151
Decrease in receivable from Parent	1,844	68,706
Decrease (increase) in other assets	126,073	(56,128)
Increase in accrued expenses and other liabilities	128,922	106,129
Increase in payable to Parent	156,526	-
Increase in accrued income taxes	160,182	293,846
Net cash provided by operating activities	<u>2,040,463</u>	<u>1,324,725</u>
Cash flows from investing activities		
Net cash paid for acquisition	(1,660,900)	-
Purchase of fixed assets	(5,156)	(16,146)
Net cash used in investing activities	<u>(1,666,056)</u>	<u>(16,146)</u>
Cash flows from financing activities		
Proceeds from Parent's contribution	2,000,000	-
Net cash provided by financing activities	<u>2,000,000</u>	<u>-</u>
Net increase in cash and cash equivalents	2,374,407	1,308,579
Cash and cash equivalents at beginning of period	4,621,519	3,312,940
Cash and cash equivalents at end of year	<u>\$ 6,995,926</u>	<u>\$ 4,621,519</u>

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

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Notes to Financial Statements
December 31, 2007 and 2006

1. Summary of Significant Accounting Policies

Business

NewAlliance Investments, Inc. (the "Company"), a wholly-owned subsidiary of NewAlliance Bank (the "Bank" or the "Parent"), is headquartered in New Haven, Connecticut. The Company is registered as a broker-dealer in 22 states. The Company was approved as a registered broker-dealer by the Financial Industry Regulatory Authority (FINRA), formerly the National Association of Securities Dealers (NASD), on October 21, 2003. The Company provides securities brokerage products and services to the general public, including customers of the Bank. Products and services include the offering and sale of equity securities, debt securities, mutual funds and options. The Company also engages in the sale of life, health, disability insurance and fixed annuity products. The Company also performs asset management services. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of FINRA and the Securities Investors Protection Corporation (SIPC). The Company does not receive customer funds or securities during the course of its operations and is exempt from the calculation of a reserve requirement pursuant to Rule 15c3-3 subparagraph (k)(2)(ii) under the Securities Exchange Act of 1934.

Use of Estimates in Preparation of Financial Statements

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Business Combinations

On March 5, 2007, the Company completed its acquisition of Connecticut Investment Management, Inc. ("CIMI"), a registered investment advisory firm, for \$2.0 million in cash. At December 31, 2006 CIMI had approximately \$190.0 million in assets under management.

The following table summarizes the acquisition of CIMI:

	Acquisition Date	Balance at Acquisition Date		Transaction Related Items		
		Assets	Equity	Goodwill	Identifiable Intangibles	Cash Paid
Connecticut Investment Management, Inc.	3/5/2007	\$ 950,603	\$ 651,677	\$ 737,420	\$ 1,363,000	\$ 2,000,000

The transaction was accounted for using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." Accordingly, the purchase price was allocated based on the estimated fair market values of the assets and liabilities acquired.

Cash and Cash Equivalents

Cash and cash equivalents consist of the amounts held at the Bank and other financial institutions.

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Notes to Financial Statements
December 31, 2007 and 2006

Cash Segregated Under Federal Regulations

As of December 31, 2007 and December 31, 2006, there were no funds deposited by customers or funds accruing to customers as a result of trades or contracts. Therefore, the Company is exempt from the calculation of a reserve requirement pursuant to Rule 15c3-3 subparagraph (k)(2)(i) under the Securities Exchange Act of 1934.

Securities

Securities owned are recorded on trade date and marked to market at the end of the month and consists of a CD, a mutual fund and a municipal bond which are classified as trading securities and reported at fair value. The resulting difference between cost and fair value is reported in earnings. Fair values are based upon quoted market prices.

Goodwill and Identifiable Intangible Assets

The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost over the fair values of the net assets acquired and is not subsequently amortized. Identifiable intangible assets are subsequently amortized on a straight-line basis, over their estimated lives. Management assesses the recoverability of goodwill at least on an annual basis and all intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If carrying amount exceeds fair value an impairment charge is recorded to income.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method using the estimated lives of the assets ranging from five to seven years.

Commissions

The Company earns commissions for execution of securities, mutual funds, and insurance transactions. Commission income and related expenses are recorded on a settlement date basis. The difference between using settlement date accounting and trade date accounting, as required by accounting principles generally accepted in the United States of America, is not material.

Income Taxes

The Company is included in the consolidated federal income tax return and the combined Connecticut State income tax return filed by NewAlliance Bank. The provision for federal and state taxes is calculated as if the Company were filing separate income tax returns using NewAlliance Bank's statutory rates. In accordance with a tax sharing arrangement, income taxes are allocated to the Company primarily based on the ratio of the Company's taxable income or loss to the total taxable income or loss. The Company generally recognizes deferred income taxes when assets and liabilities have different values for financial statement and tax reporting purposes. Note 6 contains detailed information about the Company's income taxes.

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Notes to Financial Statements
December 31, 2007 and 2006

2. Securities Owned

Securities owned consist of the following as of December 31:

	2007	2006
Mutual Funds	\$ 6,329	\$ 109,762
Municipal Bond	-	880
Certificate of Deposit	10,000	-
Total	\$ 16,329	\$ 110,642

3. Fixed Assets

Fixed assets consist of the following at December 31, 2007 and 2006:

	2007	2006
Furniture and equipment	\$ 241,423	\$ 239,444
Computer hardware	176,929	173,491
Computer software	23,739	23,740
	442,091	436,675
Less: Accumulated depreciation	(358,462)	(312,850)
Total	\$ 83,629	\$ 123,825

The Company purchased \$- and \$670 of fixed assets from NewAlliance Bank in 2007 and 2006, respectively. The purchase price represented NewAlliance Bank's book value in those fixed assets.

4. Goodwill and Identifiable Intangible Assets

The changes in the carrying amount of goodwill and identifiable intangible assets for the year ended December 31, 2007 are summarized as follows:

	Goodwill	Customer Relationships
Balance, December 31, 2006	\$ -	\$ -
Connecticut Investment Management, Inc. acquisition	737,420	1,363,000
Amortization expense	-	(106,484)
Balance, December 31, 2007	\$ 737,420	\$ 1,256,516

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Notes to Financial Statements
December 31, 2007 and 2006

Estimated amortization expense for the year ending:

2008	\$ 127,781
2009	127,781
2010	127,781
2011	127,781
Thereafter	745,392

The components of identifiable intangible assets are as follows:

	Original Recorded Amount	Cumulative Amortization	Balance December 31, 2007
Identifiable intangible assets			
Customer relationship intangible	\$ 1,363,000	\$ (106,484)	\$ 1,256,516
Total	<u>\$ 1,363,000</u>	<u>\$ (106,484)</u>	<u>\$ 1,256,516</u>

5. Net Capital

The Company, as a registered broker-dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. The rule prohibits the Company from engaging in any securities transactions unless minimum net capital is maintained. The minimum net capital level is the greater of \$250,000 or 12.50% of aggregate indebtedness. Additionally, the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule also requires that equity capital may not be withdrawn or cash dividends paid if net capital is less than 120% of the Company's minimum net capital requirement or its ratio of aggregate indebtedness to net capital.

The FINRA requires that cash deposits with a parent bank are allowable assets for net capital purposes only to the extent that the deposits represent normal day-to-day operating expenses. The Company had a cash deposit of \$3,422,728 and \$2,286,104 with the Bank on December 31, 2007 and 2006, respectively. Allowable cash is limited to \$368,057 and \$353,174 on December 31, 2007 and 2006, respectively. Non-allowable cash in the net capital computation is the total cash deposit at the Bank less the allowable portion, or \$3,054,671 and \$1,932,929 on December 31, 2007 and 2006, respectively.

The Company had net capital for regulatory purposes of \$2,606,836 and \$2,326,799 on December 31, 2007 and 2006, respectively, and a minimum net capital requirement of \$250,000 for both years. The ratio of aggregate indebtedness to net capital was .4056 to 1 and .2629 to 1 at December 31, 2007 and 2006, respectively, well below the regulatory minimum of 15 to 1.

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Notes to Financial Statements
December 31, 2007 and 2006

6. Related Party Transactions

The Company relies on the Bank for various services including participating in the Bank's employee benefit programs, office space and office supplies. The Bank allocates these expenses to the Company based on an agreement between the Company and the Bank. Amounts expensed but not yet paid are recognized as payable to the Bank on the statement of financial condition. If the Company were to seek these items from an unrelated third party, amounts expensed could differ materially.

The Company relies on the Bank to pay certain expenses directly attributable to the Company such as salaries, marketing expenses, and legal fees.

The Bank also provides services to the Company such as technology support, human resources support, internal audit, and financial support for which there is not a charge for services. If the Company were charged for these services or if they were to seek these services from an unrelated third party, amounts expensed could be material to the Company's financial statements.

The Company currently occupies space in the Bank offices. The Bank allocates occupancy expense to the Company based on the square footage of space that the Company occupies. Occupancy expense amounted to \$118,939 and \$104,584 during 2007 and 2006, respectively.

7. Income Taxes

The provision for income taxes for the years ended December 31, 2007 and 2006 consists of the following:

	2007	2006
Current		
Federal	\$ 687,789	\$ 606,905
State	147,383	156,061
	<u>835,172</u>	<u>762,966</u>
Deferred		
Federal	-	-
State	-	-
	<u>-</u>	<u>-</u>
Provision for income taxes	<u>\$ 835,172</u>	<u>\$ 762,966</u>

The Company had a deferred tax liability of \$439,781 and \$0 at December 31, 2007 and 2006, respectively. This deferred tax liability relates to the customer relationship intangible asset set-up in connection with the CIMI acquisition. The Company has no material permanent differences, so the Company's effective tax rate approximates the statutory rate it pays its Parent per an executed tax sharing agreement. The tax sharing agreement calls for the payment of both the federal and state statutory rates. The Company settles taxes with the Parent Company on a current basis.

NewAlliance Investments, Inc.
(a wholly owned subsidiary of NewAlliance Bank)
Notes to Financial Statements
December 31, 2007 and 2006

8. Concentration of Credit Risk and Off-Balance-Sheet Credit Risk

The Company maintains cash and cash equivalent balances at financial institutions in excess of federally insured limits. At December 31, 2007 and 2006, uninsured cash and cash equivalent balances aggregated \$6,745,926 and \$4,371,519, respectively.

Pursuant to its agreement with a carrying broker, the Company would be financially responsible to compensate the carrying broker for losses suffered as a result of doing business with the Company's customers. Such potential losses represent off-balance-sheet risk to the Company. The Company has a policy of reviewing, as considered necessary, the credit standing of each customer with whom it conducts business. The carrying broker has a lien on all assets of the Company. The Company maintains a required deposit of at least \$50,000 held with the carrying broker. As the right to charge the Company has no maximum amount and applies to all trades executed through the carrying broker, the Company believes there is no maximum amount assignable to this right. At December 31, 2007 and 2006, the Company had recorded no liabilities with regard to the right.

9. Commitments and Contingencies

The Company is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. We believe that those routine proceedings involve, in the aggregate, amounts which are immaterial to the financial conditional and results of operations of the Company.

NewAlliance Investments, Inc.

(a wholly owned subsidiary of NewAlliance Bank)

Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1**Under the Securities Exchange Act of 1934****December 31, 2007 and 2006****Schedule I**

Net capital	
Capital	\$ 7,903,792
Less nonallowable assets:	
Cash	3,054,671
Fixed assets	83,629
Accrued income receivable	60,000
Prepaid expenses	2,733
Securities	10,000
Other assets	39,822
Customer Relationship Intangible	1,256,516
Goodwill	737,420
Net capital before haircuts	<u>2,659,001</u>
Haircuts	<u>52,165</u>
Net capital	<u>2,606,836</u>
Less net capital requirement (greater of \$132,168 12.50% of aggregate indebtedness) or \$250,000)	<u>250,000</u>
Net capital in excess of requirements	<u>\$ 2,356,836</u>
Computation of Aggregate Indebtedness Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934	
Total liabilities	\$ 1,497,128
Exclusions from aggregate indebtedness	<u>(439,781)</u>
Aggregate indebtedness	<u>\$ 1,057,347</u>
Ratio of aggregate indebtedness to net capital	<u>40.56 %</u>

There are no differences between this computation and the corresponding computation in the unaudited Part II FOCUS Report as of December 31, 2007.

END