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

SEC FILE NUMBER

8 - 26119

Washington, DC

102

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:  
**Presidio Financial Services, Inc.**

OFFICIAL USE ONLY

FIRM ID. NO.

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

711 Navarro Street, Suite 730

(No. and Street)

San Antonio  
(City)

Texas  
(State)

78205  
(Zip Code)

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

Samuel N. Boldrick

(210) 352-2410

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Phillip V. George, PLLC

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

2300 Honey Locust Drive  
(Address)

Irving  
(City)

Texas  
(State)

75063  
(Zip Code)

PROCESSED

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THOMSON  
FINANCIAL

CHECK ONE:

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

FOR OFFICIAL USE ONLY

\*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)

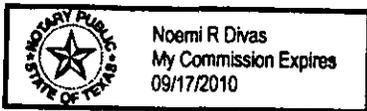
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OATH OR AFFIRMATION

I, Samuel N. Boldrick, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Presidio Financial Services, 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:

None except their own personal accounts.



Noemi R Divas
Notary Public

SN Boldrick
Signature
CEO
Title

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

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Cash Flows.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. None
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
(o) Independent auditor's report on the internal control as required by SEC rule 17a-5.

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

**PRESIDIO FINANCIAL SERVICES, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2007**

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PHILLIP V. GEORGE, PLLC  
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

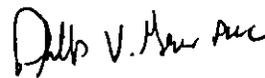
Board of Directors  
Presidio Financial Services, Inc.

We have audited the accompanying statement of financial condition of Presidio Financial Services, Inc. as of December 31, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 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 Presidio Financial Services, Inc. as of December 31, 2007, and the results of its operations and its 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 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas  
February 20, 2008

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Statement of Financial Condition**  
**December 31, 2007**

**ASSETS**

Cash and cash equivalents	\$ 400,138
Commissions receivable	77,442
Clearing deposit	50,000
Deposit with FCM	10,000
Prepaid expenses	14,699
Property and equipment, net of accumulated depreciation of \$40,491	16,578
Deferred tax asset	<u>26,416</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 595,273</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable	\$ 19,095
Commissions payable	73,839
Accrued expenses	74,803
Payable to related party	4,910
Income taxes payable to Parent	<u>57,446</u>
<b>TOTAL LIABILITIES</b>	<b><u>230,093</u></b>

**Stockholder's Equity**

Common stock, 50,000 shares authorized with \$.50 par value, 12,000 shares issued and outstanding	6,000
Additional paid-in capital	75,050
Retained earnings	<u>284,130</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b><u>365,180</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 595,273</u></b>

**PRESIDIO FINANCIAL SERVICES, INC.**

**Statement of Income**

**Year Ended December 31, 2007**

**Revenue**

Securities commissions	\$ 1,342,389
Insurance commissions	62,145
Commodities commissions	37,416
Other revenue	<u>62,467</u>
<b>TOTAL REVENUE</b>	<u><b>1,504,417</b></u>

**Expenses**

Compensation and related costs	948,026
Clearing charges	153,496
Communications	106,259
Occupancy and equipment costs	57,623
Errors	3,803
Regulatory fees and expenses	12,110
Administrative and accounting services to related party	36,000
Other expenses	<u>53,516</u>
<b>TOTAL EXPENSES</b>	<u><b>1,370,833</b></u>

Net income before other gain and provision for income taxes 133,584

**Other gain (loss)**

Realized gain on marketable securities	12,426
Unrealized loss on marketable securities	<u>(5,879)</u>

Net other gain 6,547

Net income before provision for income taxes 140,131

Provision for income taxes

Current tax expense - federal	57,446
Current tax expense - state	13,234
Deferred tax benefit - federal	<u>(14,163)</u>

Net provision for income taxes 56,517

**NET INCOME** \$ 83,614

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2007**

	<u>Common Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at December 31, 2006	12,000	\$ 6,000	\$ 75,050	\$ 200,516	\$ 281,566
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,614</u>	<u>83,614</u>
Balances at December 31, 2007	<u>12,000</u>	<u>\$ 6,000</u>	<u>\$ 75,050</u>	<u>\$ 284,130</u>	<u>\$ 365,180</u>

**PRESIDIO FINANCIAL SERVICES, INC.**

**Statement of Cash Flows**

**For the Year Ended December 31, 2007**

<b>Cash flows from operating activities:</b>	
Net income	\$ 83,614
Adjustments to reconcile net income to net cash provided by operating activities	
Realized gain on marketable securities	(12,426)
Unrealized loss on marketable securities	5,879
Depreciation	6,699
Deferred tax benefit	(14,163)
Changes in assets and liabilities	
Increase in commissions receivable	(44,125)
Decrease in prepaid expenses	2,952
Increase in accounts payable	11,358
Increase in commissions payable	20,331
Increase in accrued expenses	36,900
Increase in payable to related party	(3,062)
Increase in income taxes payable to Parent	14,438
	<hr/>
Net cash provided by operating activities	108,395
<b>Cash flows from investing activities:</b>	
Proceeds from maturity of marketable securities	99,719
Proceeds from sale of marketable securities	25,026
Purchase of property and equipment	(10,244)
	<hr/>
Net cash provided by investing activities	114,501
Net increase in cash and cash equivalents	222,896
Cash and cash equivalents at beginning of year	177,242
	<hr/>
Cash and cash equivalents at end of year	<u>\$ 400,138</u>

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for

Income taxes	<u>\$ 43,008</u>
Interest	<u>\$ -</u>

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

Nature of Business:

Presidio Financial Services, Inc., (the Company) was organized in March 1981 as a Texas corporation. The Company is a wholly owned subsidiary of TTC Holdings of Delaware, Inc. (Parent).

The Company is registered as a broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is also registered as a guaranteed introducing broker with the Commodities Futures Trading Commission (CFTC). The Company's customers are institutions located throughout the United States and individuals primarily in Texas.

The Company operates pursuant to section (k)(2)(ii) exemptive provisions of Rule 15c3-3 of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities, but as an introducing broker or dealer, will clear all transactions on behalf of customers on a fully disclosed basis through a clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer. Under these exemptive provisions, the Computation for Determination of Reserve Requirements and Information Relating to the Possession and Control Requirements are not required.

The Company introduces all customers on a fully disclosed basis to a futures commission merchant (FCM) and promptly transmits all customer funds to the FCM. The FCM carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a FCM.

Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the 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.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)**

Fair Value of Financial Instruments

Cash and cash equivalents, receivables, accounts payable and accrued expenses are short-term in nature and accordingly are reported in the statement of financial condition at fair value or carrying amounts that approximate fair value.

Cash Equivalents

Money market funds are reflected as cash equivalents in the accompanying statement of financial condition and for purposes of the statement of cash flows.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated lives of five to seven years

Security Transactions

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

Insurance Commissions

Insurance commissions are recorded when the policies are funded by the customer.

Commodities Transactions

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

**Note 2 - Transactions with Clearing Broker Dealer and FCM**

The agreement with the clearing broker/dealer provides for clearing charges at a fixed rate multiplied by the number of tickets traded by the Company. The agreement requires minimum charges totaling \$7,500 per month. The agreement also requires the Company to maintain a minimum of \$50,000 as a deposit in an account with the clearing broker/dealer.

The agreement with the FCM requires the Company to maintain a minimum of \$10,000 as a deposit in an account with the FCM.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 3 - Net Capital Requirements**

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. The Company is also subject to the net capital provisions of Regulation 1.10(d)(2) of the Commodity Futures Trading Commission Act of 1974, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2007, the Company had net capital and net capital requirements of \$271,756 and \$100,000, respectively. The Company's net capital ratio was 0.85 to 1.

**Note 4 - Property and Equipment**

Property and equipment is carried at cost less accumulated depreciation and consists of the following:

Computer equipment	\$ 46,728
Furniture and fixtures	7,314
Leasehold improvements	<u>3,027</u>
	57,079
Accumulated depreciation	<u>(40,491)</u>
	<u>\$ 16,578</u>

Depreciation expense for the year was \$6,699 and is reflected in the accompanying statement of income as occupancy and equipment costs.

**Note 5 - Income Taxes**

The Company is included in the consolidated income tax return of its Parent. Income taxes are recorded using the separate company method to comply with FASB Statement 109. Any resulting provision or benefit for income taxes realized is recorded as receivable from or payable to the Parent. Amounts due to the Parent for income taxes at December 31, 2007 totaled \$57,446.

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes due to the Parent filing its tax return using the cash basis method of accounting. The Company's deferred tax asset of \$26,416 represents the future tax return benefit of future deductible expenses, which will be deductible when paid.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 6 - Off-Balance-Sheet Risk and Concentration of Credit Risk**

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealer.

The Company is responsible for the credit risk of the customers it introduces to, and which are carried on a fully disclosed basis on the books of, its clearing FCM. The Company's customers are primarily individual investors. To reduce its risk, the Company requires its customers to meet, at a minimum, the greater of the margin requirements established by each of the exchanges at which contracts are traded or the margin requirement established by its clearing FCM. Margin is a good faith deposit from the customer which reduces risk to the Company of failure on behalf of the customer to fulfill any obligations under these contracts. In addition, the Company monitors its exposure to the risk of loss daily on an account-by-account basis and adjusts margin requirements as needed. Under certain circumstances, customers may be required to deposit additional funds, securities or other collateral. In order to reduce the risk of loss, the Company may satisfy margin requirements by liquidating certain customer positions. Management believes that the margin deposits and collateral held at December 31, 2007, were adequate to minimize the risk of material loss which could be created by positions held at that time.

The Company's cash equivalents, receivable from clearing broker/dealer and a clearing deposit are held by or due from the Company's clearing broker/dealer. The Company has a total of \$501,676, or approximately 84%, of its assets in amounts held by or due from the Company's clearing broker/dealer.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 7 - Related Party Transactions**

The Company has a management and administrative services agreement with Duncan Smith Investments, Inc., (DSI), a Texas corporation, and a related party. The agreement became effective April 30, 1998 and remained in effect until April 30, 2003. Under the agreement, DSI provided the Company with management, operational and administrative services and is entitled to receive a management fee equal to \$2,500 per month during the term of the agreement. In addition, DSI shall receive an incentive fee during the term of the agreement and for five years following the termination of the agreement, which is April 30, 2008. The incentive fee is payable when the Company's calendar year adjusted net income, as defined, equals or exceeds \$120,000. The fee ranges from 10% of adjusted net income at \$120,000 to 17.5% when adjusted net income exceeds \$160,000. No incentive fee is due when adjusted net income is less than \$120,000 in any calendar year. The incentive fee is calculated on a calendar year basis and, if any, is payable each February 15<sup>th</sup>. Under this agreement, DSI earned incentive fees totaling \$23,960 for the year ended December 31, 2007, which is reflected in the accompanying statement of income in other expenses

Commissions paid to Duncan-Smith Co., DSI's Parent, and a related party, during 2007 totaled \$8,097 and are reflected in the accompanying statement of income as compensation and related costs.

The Company entered into an agreement effective December 2001 with a related party under which the related party will provide the Company with office space and administrative and accounting services. The agreement is cancelable at any time by either party. The agreement calls for rent payments of \$1,865 per month. The agreement also calls for payment of \$3,000 per month for administrative and accounting services and payments for insurance in amounts to be determined monthly by the related party. The amount incurred under this agreement totaled \$118,552 for the year ended December 31, 2007. Amounts payable to the related party for office rent, administrative and accounting services, and insurance total \$4,910 at December 31, 2007.

Amounts due to the Parent for income taxes at December 31, 2007 totaled \$57,446 (Note 5).

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 7 - Related Party Transactions (continued)**

The Company entered into an at-will employment agreement in 2007 with two employees. Under this agreement, these employees were paid a \$100,000 bonus upon execution of the agreement and may be paid future bonuses equal to the amount of aggregate gross commissions generated by these two employees, less \$100,000, for the year ended December 31, 2006, which totaled approximately \$360,000. The future bonuses are contingent based upon the employment of the employees and is only payable at amounts ranging from 0% to 50% of the quarterly net profitability of the branch managed by these two employees, paid in arrears. The total bonus paid under this agreement totaled approximately \$110,000 for the year ended December 31, 2007. The total contingent bonus remaining to be paid under this agreement totals approximately \$350,000 at December 31, 2007. Any remaining bonus amounts are not payable in the event of termination of the employees by the Company.

**Note 8 - 401(k) Plan**

The Company adopted the TTC Holdings, Inc. 401(k) Plan (the Plan) effective January 1, 1998. The Company and eligible employees both may contribute to the Plan. The Plan is on a calendar year. All employees, except part time employees, are eligible to participate after reaching the age of 18. The Company may contribute an amount of matching contributions, discretionary profit sharing contributions and/or qualified non-elective contributions determined by the Company at its discretion. The Company may or may not choose to make matching contributions, discretionary profit sharing contributions and/or qualified non-elective contributions for a particular year in an amount it will determine each year.

Employee salary deferral contributions and qualified non-elective contributions and earnings on such contributions are 100% vested. Company matching and profit sharing contributions are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vested Portion</u>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

The Company made matching contributions totaling \$14,860 for the year ended December 31, 2007, which is reflected in the accompanying statement of income as compensation and related costs. The Company did not contribute any discretionary profit sharing or qualified non-elective amounts for the year ended December 31, 2007.

Schedule I

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Computation of Net Capital and Aggregate Indebtedness**  
**Pursuant to Rule 15c3-1**  
**December 31, 2007**

Total stockholder's equity qualified for net capital	\$ 365,180
Deductions and/or charges	
Non-allowable assets:	
Commissions receivable	18,158
Deposit with FCM	10,000
Prepaid expenses	14,699
Property and equipment, net	16,578
Deferred tax asset	<u>26,416</u>
Total deductions and/or charges	<u>85,851</u>
Net capital before haircuts	<u>279,329</u>
Haircuts on securities:	
Cash equivalents	<u>7,574</u>
Total haircuts on securities	<u>7,574</u>
Net Capital	<u><u>\$ 271,756</u></u>
Aggregate indebtedness	
Accounts payable	\$ 19,095
Commissions payable	73,839
Accrued expenses	74,803
Payable to related party	4,910
Income taxes payable to Parent	<u>57,446</u>
Total aggregate indebtedness	<u><u>\$ 230,093</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$100,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 100,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 171,756</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>0.85 to 1</u></u>

Note: The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2007 by Presidio Financial Services, Inc. on Amended Form X-17A-5. Accordingly, no reconciliation is deemed necessary.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY  
SEC RULE 17A-5(G)(1)**

Board of Directors  
Presidio Financial Services, Inc.

In planning and performing our audit of the financial statements of Presidio Financial Services, 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 (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, 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.

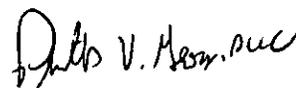
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the Company's financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

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 information and use of the Board of Directors, management, the SEC, 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas  
February 20, 2008