

SEC



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

SEC FILE NUMBER

8-52954

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 January 1, 2007 AND ENDING December 31, 2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: StateTrust Investments, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

800 Brickell Avenue, Suite 103

(No. and Street)

Miami

Florida

33131

(City)

(State)

(Zip Code)

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

Jeffrey Cimbali

(305) 921-8100

(Area Code - Telephone Number)

SEC Reg Processing Section

B. ACCOUNTANT IDENTIFICATION

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

FEB 29 2008

Kaufman, Rossin & Co.

Washington, DC

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

111

2699 South Bayshore Drive

Miami

Florida

33133

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
MAY 30 2008
THOMSON REUTERS

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

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OATH OR AFFIRMATION

I, David Vurgait, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of StateTrust 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:

No exceptions



VICTOR FLUXA  
MY COMMISSION # DD 302276  
EXPIRES: March 22, 2008  
Bonded Thru Budget Notary Services

(Signature)

President  
(Title)

Victor Fluxa  
(Notary Public)

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. (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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

A report containing a statement of financial condition has been included; accordingly it is

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
StateTrust Investments, Inc.  
Miami, Florida

We have audited the accompanying statement of financial condition of StateTrust Investments, 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 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 StateTrust Investments, 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 supplementary information on pages 11 and 12 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 our 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.



Miami, Florida  
February 27, 2008

**KAUFMAN  
ROSSIN &  
CO.** PROFESSIONAL  
ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

**STATETRUST INVESTMENTS, INC.**  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2007

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**ASSETS**

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CASH	\$	25,124
SECURITIES OWNED, AT MARKET (NOTE 5)		290,075
RECEIVABLE FROM BROKER (NOTE 5)		220,699
DEPOSIT AT CLEARING BROKER (NOTE 5)		108,494
OTHER ASSETS		9,708
	\$	654,100

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**LIABILITIES AND STOCKHOLDER'S EQUITY**

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LIABILITIES		
Securities sold, but not yet purchased, at market (Note 5)	\$	41,500
Accounts payable and accrued liabilities		82,046
Total liabilities		123,546
CONTINGENCY (NOTE 6)		
STOCKHOLDER'S EQUITY		530,554
	\$	654,100

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See accompanying notes.

**STATETRUST INVESTMENTS, INC.**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2007**

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**REVENUES**

Commissions (Note 2)	\$	4,623,240
Interest and dividends		384,985
Other income		311,470
Net trading losses	(	75,646)
<b>Total revenues</b>		<b>5,244,049</b>

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**EXPENSES**

Clearing costs		325,453
Commissions (Note 2)		745,196
Interest (Note 5)		14,019
Management fees (Note 2)		3,750,000
Other		53,638
Payroll taxes		33,127
Professional fees		54,217
Quotations and research		94,228
Referral fees (Note 2)		202,439
<b>Total expenses</b>		<b>5,272,317</b>

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**LOSS BEFORE INCOME TAXES** ( 28,268)

**INCOME TAXES (NOTE 3)** -

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**NET LOSS** \$( 28,268)

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See accompanying notes.

**STATETRUST INVESTMENTS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2007**

	Common Stock \$0.001 par value: 2,000,000 shares authorized, 1,837,469 shares issued and outstanding	Additional Paid-in Capital	Accumulate Deficit
Balances - December 31, 2006	\$ 1,838	\$ 1,938,738	\$ ( 296,75
Return of capital	-	( 1,085,000)	
Net loss	-	-	( 28,26
<b>Balances - December 31, 2007</b>	<b>\$ 1,838</b>	<b>\$ 853,738</b>	<b>\$ ( 325,02</b>

See accompanying notes.

**STATETRUST INVESTMENTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2007**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$( 28,268)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Securities owned, at market	138,552
Receivable from broker	( 60,672)
Deposit at clearing broker	( 5,712)
Other assets	283
Securities sold, but not yet purchased, at market	( 84,226)
Accounts payable and accrued liabilities	45,447
Total adjustments	33,672
Net cash provided by operating activities	5,404

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Net repayments from affiliates	1,102,917
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Return of capital	( 1,085,000)
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**NET DECREASE IN CASH** 23,321

**CASH - BEGINNING** 1,803

**CASH - ENDING** \$ 25,124

**Supplemental Disclosure of Cash Flow Information:**

Interest paid	\$ 14,019
Income taxes paid	\$ -

See accompanying notes.

**STATETRUST INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

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***Description of Business and Organization***

StateTrust Investments, Inc. (the Company), incorporated under the laws of the State of Delaware on April 14, 2000, is a broker of various types of equity, debt, and mutual fund securities and option contracts. The Company primarily acts in an agency capacity, buying and selling securities for its customers, both foreign and domestic, and charging a commission. Approximately 80% of the Company's customers are located in Latin America. The Company also trades equity securities for its own account and on a riskless principal basis in fixed income securities.

The Company is a wholly owned subsidiary of StateTrust Group, LLC (the Parent).

***Government and Other Regulation***

The Company's business is subject to significant regulation by various governmental agencies and self-regulatory organizations. Such regulation includes, among other things, periodic examinations by these regulatory bodies to determine whether the Company is conducting and reporting its operations in accordance with the applicable requirements of these organizations.

***Securities Transactions***

Securities transactions and related commissions and clearing costs are reported on a trade date basis. Securities owned or sold, but not yet purchased are valued at market. The resulting difference between cost and market is included in the statement of operations.

***Cash***

The Company, during the course of operations, may maintain cash balances in excess of federally insured limits.

***Income Taxes***

The Company accounts for income taxes according to Statement of Financial Accounting Standards No. 109, which requires a liability approach to calculating deferred income taxes. Under this method, the Company records deferred taxes based on temporary differences between the tax basis of the Company's assets and liabilities and their financial reporting basis. A valuation allowance is established when it is more likely than not that some or all of the deferred tax assets will not be realized. Management's valuation procedures consider projected utilization of deferred tax assets prospectively over the next several years, and continually evaluate new circumstances surrounding the future realization of such assets. The amount of the deferred tax asset considered realizable could change in the near term if estimates of future taxable income also change.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***Use of Estimates in the Preparation of Financial Statements***

The preparation of 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.

***Derivative Instruments***

The following information is presented in compliance with Financial Accounting Standards Board Statement 133, "Accounting for Derivative Instruments and Hedging Activities", which requires disclosures with respect to the purpose of and risks associated with using derivatives.

The Company invests in equity-related derivative contracts (derivatives), primarily options. In the normal course of business, the Company enters into derivative contracts for trading purposes, and sometimes as a hedge of other securities market risks. Typically, derivative contracts serve as components of the Company's investment strategies and are utilized primarily to structure the portfolio or individual investments to economically match the investment objectives of the Company.

Generally the Company purchases and sells equity put and call options. Options represent the opportunity to sell or buy the underlying equity securities at specified prices and future dates.

The Company's exposure to credit risk associated with counterparty nonperformance on any derivatives that are not exchange traded is typically limited to the unrealized gains reported as assets associated with such contracts. Generally, the Company trades in only exchange traded derivatives.

***Interest and Dividend Income Recognition***

Interest income is recognized on the accrual basis of accounting and is recorded as it is earned. Dividend income is recognized on the ex-dividend date.

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**NOTE 2. RELATED PARTY TRANSACTIONS**

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***Management Agreement***

The Company has entered into a management agreement with an entity (Affiliate) that is related to the Company by virtue of common ownership.

The Affiliate receives a management fee in consideration for rent, utilities, salaries, telephone, equipment, furniture and fixtures, postage, office supplies, and other general administrative and office expenses paid on behalf of the Company. For the year ended December 31, 2007, the Company incurred approximately \$3,750,000 in management fees which are comprised of the following:

Salaries	\$ 1,935,000
Rent	636,000
Utilization of furniture and equipment	302,000
Courier and package	227,000
Professional fees	215,000
Software	181,000
Utilities	123,000
Travel	94,000
Insurance	37,000
	<hr/>
	\$ 3,750,000

***Commission and Broker Fees***

The Company makes payments of commissions and referral fees to certain affiliated registered representatives and referral brokers who are related by virtue of common ownership. The registered representatives' commissions who are related parties, accounted for 94% of total commissions of \$745,196. The referral brokers fees who are also related parties, accounted for 23% of total referral fees of \$202,439.

***Distribution Agreement***

Pursuant to a distribution agreement dated July 17, 2003, the Company is the exclusive agent for the distribution of shares of the Ashport Mutual Funds (Funds). The Company is related to the Funds as it has common management. These Funds operate as diversified open-end management investment companies.

During 2007, the Company executed trades for the Funds, generating commission income and sales charges for the Company in the amount of \$2,212,830. At December 31, 2007, there were no amounts due from the Funds.

***Insurance Company***

The Company is related to an insurance company by virtue of common ownership. During 2007, there was \$502,953 of commission income earned from brokerage activity on proprietary accounts of the insurance company.

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**NOTE 3. INCOME TAXES**

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The deferred tax asset at December 31, 2007 approximates \$23,000, and results primarily from net operating loss carryforwards. This asset was offset by a valuation allowance of the same amount. The net operating loss carryforwards of approximately \$62,000 expire in the years 2020 to 2023. The effective tax rate differed from the maximum federal statutory rate of 34% principally due to the change in the deferred tax asset valuation and state income taxes.

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**NOTE 4. NET CAPITAL REQUIREMENTS**

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As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission, which requires that "Net Capital", as defined, shall be at least the greater of \$250,000 or one-fifteenth of "Aggregate Indebtedness", as defined. At December 31, 2007, the Company's "Net Capital" was \$456,824 which exceeded requirements by \$206,824, and the ratio of "Aggregate Indebtedness" to "Net Capital" was 5.50 to 1.

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**NOTE 5. RISK CONCENTRATIONS**

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***Clearing and Depository Concentrations***

The clearing and depository operations for the Company's securities transactions are provided by Pershing, whose main office is located in New Jersey. At December 31, 2007, the receivable from broker and deposit at clearing broker are with this brokerage firm. In addition, the securities owned and securities sold, but not yet purchased are held by this brokerage firm.

Interest expense related to margin balances and fixed income securities sold, but not yet purchased for the year ended December 31, 2007, amounted to \$14,019.

***Securities Sold, But Not Yet Purchased***

Securities sold, but not yet purchased aggregate \$41,500 at December 31, 2007. Subsequent market fluctuations may require the Company to purchase these securities at prices which exceed the carrying value in the accompanying financial statements.

***Other Off-Balance Sheet Risks***

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

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**NOTE 5. RISK CONCENTRATIONS (Continued)**

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***Other Off-Balance Sheet Risks (continued)***

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company through its clearing broker extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In addition to these activities, the Company may execute customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

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**NOTE 6. CONTINGENCY**

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The Company, certain members of management and two related entities are defendants in a legal action filed by a former customer. The matter alleges that unsuitable investments were recommended, churning, breach of duty, negligence and failure to supervise. This individual is claiming compensatory and punitive damages totaling up to \$3,000,000 plus expenses. Management believes that this action against the Company is without merit and intends to vigorously defend itself if and when the case proceeds. The outcome, as well as the extent of the Company's liability, if any, cannot be determined at this time. Consequently, no accrual has been made as of December 31, 2007.

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**SUPPLEMENTARY INFORMATION**

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**STATETRUST INVESTMENTS, INC.**

COMPUTATION OF NET CAPITAL PER UNIFORM NET CAPITAL RULE 15c3-1

DECEMBER 31, 2007

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<b>CREDITS</b>	
Stockholder's equity	\$ 530,554
<b>DEBITS</b>	
Other assets	9,708
<b>NET CAPITAL BEFORE HAIRCUTS ON SECURITY POSITIONS</b>	520,846
<b>HAIRCUTS ON SECURITY POSITIONS</b>	64,022
<b>NET CAPITAL</b>	456,824
<b>MINIMUM NET CAPITAL REQUIREMENT - GREATER OF \$250,000 OR 6 2/3% OF AGGREGATE INDEBTEDNESS OF \$2,511,430</b>	250,000
<b>EXCESS NET CAPITAL</b>	\$ 206,824
<b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	5.50 to 1
<b>SCHEDULE OF AGGREGATE INDEBTEDNESS</b>	
Accounts payable and accrued liabilities	\$ 82,046
Contingency, not accrued	2,429,384
Total aggregate indebtedness	\$ 2,511,430

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There are no material differences that exist between the above computation and the Company's corresponding unaudited Form X-17A-5, Part IIA filing.

See Independent Auditors' Report.

**STATETRUST INVESTMENTS, INC.**

STATEMENT ON EXEMPTION FROM THE COMPUTATION OF  
RESERVE REQUIREMENTS AND INFORMATION FOR POSSESSION  
OR CONTROL REQUIREMENTS UNDER RULE 15c3-3  
DECEMBER 31, 2007

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In accordance with the exemptive provisions of SEC Rule 15c3-3, specifically exemption k(2)(ii), the Company is exempt from the computation of reserve requirements and the information relating to the possession or control requirements.

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY  
SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM  
SEC RULE 15c3-3**

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To the Board of Directors  
StateTrust Investments, Inc.  
Miami, Florida

In planning and performing our audit of the financial statements of StateTrust 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 (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.

**KAUFMAN  
ROSSIN &  
CO.** PROFESSIONAL  
ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

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 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 management, the SEC, the FINRA, 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.



Miami, Florida  
February 27, 2008

**END**