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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 024823

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 April 1, 2007 AND ENDING March 31, 2008  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Krieger-Campbell, Incorporated

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

3608 Grand Avenue

(No and Street)

Oakland,

(City)

California

(State)

94610

(Zip Code)

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

Richard Campbell

(510) 444-2800

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Breard & Associates Inc., Certified Public Accountants

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

9221 Corbin Avenue Suite 170

(Address)

Northridge

(City)

CA

(State)

91324

SEC  
Processing  
(Zip Code)

MAY 20 2008

Washington, DC  
101

CHECK ONE:

Certified Public Accountant

Public Accountant

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

**B**  
**PROCESSED**  
JUL 03 2008  
**THOMSON REUTERS**

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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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Richard Campbell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Krieger-Campbell, Incorporated, as of March 31, 2008, 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:

State of California  
County of Alameda  
Subscribed and sworn to (or affirmed) before me this 25 day of April, 2008 by satisfactory evidence to be the person(s) who appeared by me.

Richard M. Campbell  
Signature  
Vice President  
Title

Joan E. LaHue  
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 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).

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report

Board of Directors  
Krieger-Campbell, Incorporated:

We have audited the accompanying statement of financial condition of Krieger-Campbell, Incorporated ("the Company") as of March 31, 2008, and the related statements of income, changes in stockholders' 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 Krieger-Campbell, Incorporated as of March 31, 2008, 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 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 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.



Breard & Associates, Inc.  
Certified Public Accountants

Oakland, California  
May 13, 2008

*We Focus & Care<sup>SM</sup>*

**Krieger-Campbell, Incorporated**  
**Statement of Financial Condition**  
**March 31, 2008**

**Assets**

Cash and cash equivalents	\$ 106,162
Accounts receivable	58,410
Furniture, equipment, and leaseholds, net	91
Other assets	<u>1,376</u>
<b>Total assets</b>	<b><u>\$ 166,039</u></b>

**Liabilities and Stockholders' Equity**

**Liabilities**

Accounts payable & accrued expenses	<u>\$ 1,244</u>
<b>Total liabilities</b>	1,244

**Stockholders' equity**

Common stock, \$1.00 par value, 100,000 shares authorized, 30,000 issued and outstanding	30,000
Retained earnings	<u>134,795</u>
<b>Total stockholders' equity</b>	<u>164,795</u>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 166,039</u></b>

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

**Krieger-Campbell, Incorporated**  
**Statement of Income**  
**For the year ended March 31, 2008**

**Revenues**

Commissions	\$ 393,327
Investment gains (losses)	45,245
Advisory fees	210
Interest and dividends	8,276
Other income	<u>60,760</u>
<b>Total revenues</b>	<b>507,818</b>

**Expenses**

Employee compensation and benefits	337,535
Communications	3,354
Occupancy	26,460
Taxes, other than income taxes	1,823
Other operating expenses	<u>76,609</u>
<b>Total expenses</b>	<b><u>445,781</u></b>

**Net income (loss) before income tax provision** 62,037

**Income tax provision** 1,276

**Net income (loss)** \$ 60,761

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

**Krieger-Campbell, Incorporated**  
**Statement of Changes in Stockholders' Equity**  
**For the year ended March 31, 2008**

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at March 31, 2007	30,000	\$ 30,000	\$ 74,034	\$ 104,034
Net income (loss)	<u>—</u>	<u>—</u>	<u>60,761</u>	<u>60,761</u>
Balance at March 31, 2008	<u>30,000</u>	<u>\$ 30,000</u>	<u>\$ 134,795</u>	<u>\$ 164,795</u>

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

**Krieger-Campbell, Incorporated**  
**Statement of Cash Flows**  
**For the year ended March 31, 2008**

**Cash flows from operating activities:**

Net income (loss)		\$ 60,761
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	\$ 76	
(Increase) decrease in:		
Accounts receivable	(58,410)	
Other assets	(151)	
(Decrease) increase in:		
Accounts payable & accrued expenses	<u>(1,756)</u>	
Total adjustments		<u>(60,241)</u>
<b>Net cash and cash equivalents provided by (used in) operating activities</b>		<b>520</b>
<b>Cash flows from investing activities:</b>		<b>—</b>
<b>Cash flows from financing activities:</b>		<b><u>—</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>520</b>
<b>Cash and cash equivalents at beginning of year</b>		<b><u>105,642</u></b>
<b>Cash and cash equivalents at end of year</b>		<b><u><u>\$ 106,162</u></u></b>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for:

Interest		\$ —
Income taxes	\$ 1,487	

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

**Krieger-Campbell, Incorporated**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Krieger-Campbell, Incorporated (the "Company"), was incorporated in the State of California on March 30, 1976. The Company is registered as a broker/dealer under provisions of the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC").

The Company engages in the business of financial planning, and financial evaluation and economic studies for its clients. The Company earns investment and insurance commissions directly from providing management, consulting, and administrative services to its clients. The Company does not hold customer funds or securities and conducts business on a fully disclosed basis. The Company has approximately 70 clients that are located in Northern California.

*Summary of Significant Accounting Policies*

The presentation 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Accounts receivable are stated at face value with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Furniture, equipment, and leasehold improvements are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture, equipment, and leasehold improvements are depreciated over their estimated useful lives ranging from five (5) to seven (7) years by the straight-line and declining balance method.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for income taxes", which requires the establishment of a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carryforwards. Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

**Krieger-Campbell, Incorporated**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 2: FURNITURE, EQUIPMENT, AND LEASEHOLDS, NET**

The furniture, equipment, and leasehold improvements are recorded at cost.

		<u>Depreciable Life Years</u>
Equipment	\$ 22,856	5
Furniture & fixtures	18,628	7
Leasehold improvements	<u>6,147</u>	7
	47,631	
Less accumulated depreciation	<u>(47,540)</u>	
Furniture, equipment and leaseholds, net	<u>\$ 91</u>	

Depreciation expense for the year ended March 31, 2008, was \$76.

**Note 3: INCOME TAXES**

The provision for income tax expense (benefit) at March 31, 2008, comprises of the following:

Current income tax expense (benefit)	
Federal	\$ 476
State	<u>800</u>
Total provision for income tax expense	<u>\$ 1,276</u>

**Note 4: CONCENTRATIONS OF CREDIT RISK**

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

**Note 5: PROFIT SHARING PLAN**

Effective April 1, 1977, the Company adopted a profit sharing plan covering substantially all eligible employees. The Company profit sharing contributions are discretionary and are determined each year by the Company. The participants must be employed on the last day of the plan year and have worked at least 1,000 hours during the year to receive a pre-tax contribution. For the year ended March 31, 2008, the Company contributed \$30,000 to the plan.

**Krieger-Campbell, Incorporated**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 6: COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company exercised an option to extend its lease agreement originally signed on July 1, 1998 until June 30, 2010.

Future minimum lease payments under the lease are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2009	\$ 27,122
2010	28,004
2011	7,056
2012 & thereafter	—
Total	<u>\$ 62,182</u>

Total rent expense for the year ended March 31, 2008, was \$26,460.

**Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS**

*Accounting for Certain Hybrid Financial Instruments*

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140." The statement allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) as long as the entire instrument is valued on a fair value basis. SFAS 155 also resolves and clarifies other specific issues contained in SFAS 133 and 140. The statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after December 15, 2006. The adoption of SFAS 155 has not had a material impact upon the Company's financial statements.

*Accounting for Uncertainty in Income Taxes*

In June 2006 the FASB issued Financial Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position if it is more likely than not that such position will be sustained on audit based on its technical merits. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of the provisions of FIN 48 for all nonpublic companies has been postponed to fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's

**Krieger-Campbell, Incorporated**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS**

**(Continued)**

financial statements.

*Fair Value Measurements*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (“SFAS 157”), “Fair Value Measurements”. The statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect the pronouncement will have a material impact upon the Company’s financial statements.

*Retirement Plans*

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements Nos. 87, 106, and 132(R)” (“SFAS 158”). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company’s equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. Adoption of the new standard has not had a material effect on the Company’s financial statements.

*Fair Value Option*

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (“SFAS 159”), “Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115”. SFAS 159 is expected to expand the use of fair value accounting but does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of this pronouncement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company’s financial statements.

**Krieger-Campbell, Incorporated**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 8: NET CAPITAL**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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 aggregate indebtedness change day to day, but on March 31, 2008, the Company had net capital of \$101,909 which was \$96,909 in excess of its required net capital of \$5,000 and the Company's ratio of aggregate indebtedness (\$1,244) to net capital was 0.01 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$14,746 difference between the computation of net capital under net capital SEC Rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

Net capital per unaudited schedule		\$ 87,163
Adjustments:		
Retained earnings	\$ 13,515	
Non-allowable assets	1,275	
Undue concentration	<u>(44)</u>	
Total adjustments		<u>14,746</u>
Net capital per audited statements		<u>\$ 101,909</u>

**Krieger-Campbell, Incorporated**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of March 31, 2008**

**Computation of net capital**

<b>Stockholders' equity</b>		
Common stock	\$ 30,000	
Retained earnings	<u>134,795</u>	
<b>Total stockholders' equity</b>		<b>\$ 164,795</b>
 Less: Non-allowable assets		
Accounts receivable	(58,410)	
Furniture, equipment & leaseholds, net	(91)	
Other assets	<u>(1,376)</u>	
Total adjustments		<u>(59,877)</u>
<b>Net capital before haircuts</b>		<b>104,918</b>
 Less: Haircuts & undue concentration		
Haircuts on money market account	(2,076)	
Undue concentration	<u>(933)</u>	
Total adjustments		<u>(3,009)</u>
<b>Net capital</b>		<b>101,909</b>
 <b>Computation of net capital requirements</b>		
Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 83	
Minimum dollar net capital required	\$ 5,000	
Net capital required (greater of above)		<u>5,000</u>
<b>Excess net capital</b>		<b><u>\$ 96,909</u></b>
 Ratio of aggregate indebtedness to net capital	 0.01: 1	

There was a \$14,746 difference in the net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated March 31, 2008. See Note 9.

*See independent auditor's report.*

**Krieger-Campbell, Incorporated**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of March 31, 2008**

A computation of reserve requirements is not applicable to Krieger-Campbell, Incorporated as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**Krieger-Campbell, Incorporated**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of March 31, 2008**

Information relating to possession or control requirements is not applicable to Krieger-Campbell, Incorporated as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**Krieger-Campbell, Incorporated**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended March 31,2008**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Board of Directors  
Krieger-Campbell, Incorporated:

In planning and performing our audit of the financial statements of Krieger-Campbell, Incorporated (the Company), as of and for the year ended March 31, 2008, 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 judgements 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.

*i*

***We Focus & Care<sup>SM</sup>***

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 entity's 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 March 31, 2008, 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.

*Breard & Associates, Inc.*

Breard & Associates, Inc.  
Certified Public Accountants

Oakland, California  
May 13, 2008