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

SEC FILE NUMBER
8- 34631

DIVISION OF MARKET REGULATION

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 1/1/2007 AND ENDING 12/31/2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

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

558 "B" Street

(No. and Street)

Santa Rosa, CA 95401-5274

(City)

(State)

(Zip Code)

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

Donald G. Gloisten

805 653 5944

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Hovik M. Khaloian

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

520 N. Central Avenue, Suite 650, Glendale, CA 91203

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

B PROCESSED
NOV 06 2008
THOMSON

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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)

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GBS FINANCIAL CORP.
FINANCIAL REPORT
DECEMBER 31, 2007

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

OATH OR AFFIRMATION

I, Donald G. Gloisten, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GBS Financial Corp., 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:

Donald G. Gloisten
Signature

CHIEF EXECUTIVE OFFICER

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 ~~XXXXXXXXXXXX~~ CASH FLOWS
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

ACKNOWLEDGEMENT

State of California - County of Ventura

On **March 25, 2008** before me, Darcy Lorale Escobar, a Notary Public for the State of California; **Donald G Gloisten**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature Notary Public

Darcy Lorale Escobar



(notary seal)

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HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

Board of Directors
GBS Financial Corp.
Santa Rosa, California

Members of the Board:

I have audited the accompanying statement of financial condition of GBS Financial Corp. as of December 31, 2007 and the related statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBS Financial Corp. 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.

My 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hovik M. Khaloian

March 24, 2008

GBS FINANCIAL CORP.
STATEMENT OF FINANCIAL CONDITION
As of December 31, 2007

ASSETS

Cash and cash equivalents	\$ 67,328
Receivables from brokers or dealers	495,053
Receivables from non-customers	122,779
Securities owned, at market	89,202
Prepaid income taxes	22,732
Other assets	26,307
Property and equipment at cost, less accumulated depreciation of \$166,979	<u>23,871</u>
 TOTAL ASSETS	 <u>\$ 847,272</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 198,110
Commissions payable	249,039
Deferred income Taxes	<u>1,700</u>
	448,849

COMMITMENTS AND CONTINGENCIES

LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS	300,000
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STOCKHOLDERS' EQUITY

Common stock, no par value; 1000 shares authorized, 30 shares issued and outstanding stated at	4,500
Additional paid-in capital	92,386
Retained earnings	<u>1,537</u>

TOTAL STOCKHOLDERS' EQUITY	<u>98,423</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 847,272</u>
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The accompanying notes are an integral part
of these financial statements.

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

GBS FINANCIAL CORP.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007

REVENUES

Commissions	\$ 6,050,133
Net investment gains (losses)	57,272
Interest and dividends	488,642
Consulting revenue	<u>89,354</u>
	<u>6,685,401</u>

EXPENSES

Commissions and brokerage costs	4,824,457
Employee compensation and benefits	1,064,047
Occupancy and equipment rental	46,800
Taxes, other than income taxes	59,177
Other operating expenses	<u>1,206,753</u>
	<u>7,201,234</u>

LOSS BEFORE INCOME TAXES (515,833)

CREDIT FOR INCOME TAXES

Current	19,100
Deferred	<u>1,300</u>
	<u>20,400</u>

NET LOSS \$ (495,433)

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

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

GBS FINANCIAL CORP.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY,
For the Year Ended December 31, 2007

	<u>Common Stock</u>		Additional Paid-in <u>Capital</u>	Retained <u>Earnings</u>	<u>Total</u>
	<u>Number of Shares Outstanding</u>	<u>Amount</u>			
Balance at January 1, 2007	30	\$ 4,500	\$ 62,386	\$496,970	\$563,856
Contribution of additional Capital	-	-	330,000	-	330,000
Return of additional Capital contributed	-	-	(300,000)	-	(300,000)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(495,433)</u>	<u>(495,433)</u>
Balance at December 31, 2007	<u>30</u>	<u>\$ 4,500</u>	<u>\$ 92,386</u>	<u>\$ 1,537</u>	<u>\$ 98,423</u>

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

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

GBS FINANCIAL CORP
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
For the Year Ended December 31, 2007

Subordinated Liabilities at January 1, 2007	\$ -
Increase in liabilities subordinated to claims of general creditors	<u>300,000</u>
Subordinated liabilities at December 31, 2007	<u>\$ 300,000</u>

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

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

GBS FINANCIAL CORP
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,044,263
Cash paid to suppliers and employees	(7,039,027)
Interest received	488,642
Interest paid	(5,856)
Income tax refunds received	15,940
Income taxes paid	<u>(7,500)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(503,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in receivables from non-customers	17,800
Decrease in other assets	18,834
Purchase of property and equipment	<u>(9,562)</u>
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>27,072</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in note receivable-stockholders	81,834
Proceeds from subordinated liabilities	300,000
Contribution of additional capital	330,000
Return of additional capital contributions	<u>(300,000)</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>411,834</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,632)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>131,960</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 67,328</u>
RECONCILIATION OF NET LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES	
Net loss	\$ (495,433)
Non-cash expenses included in net loss:	
Depreciation and amortization	13,433
Deferred income taxes	(1,300)
Changes in assets and liabilities:	
(Increase) in receivables from brokers or dealers	(152,496)
Decrease in securities owned	224,514
(Increase) in prepaid income taxes	(10,660)
Increase in accounts payable and accrued expense	54,291
(Decrease) in commissions payable	<u>(135,887)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (503,538)</u>

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

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Company is a securities broker/dealer engaged in the sale of securities to the general public and is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

Securities

Securities owned are valued at market with unrealized gains and losses recognized currently in results of operations.

Income and Expense Recognition

Securities transactions and related revenue and expense are recorded on a settlement date basis, generally the third business day following the transaction date.

Concentration of Credit Risk For Cash Held at Banks

The Company maintains cash balances at a bank. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Policy of Cash Equivalents

The Company considers money market funds as cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation has been provided using the modified accelerated cost recovery systems based on the estimated useful lives of the assets, which range from five to seven years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Company expenses the cost of advertising in the year incurred. During the year ended December 31, 2007, such advertising expenses (included as part of other operating expenses) amounted to \$1,372.

Other Assets

Other assets consist of prepaid expenses of \$20,201, deposits of \$2,948, and miscellaneous assets of \$3,158.

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE 2 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Since the Company does not carry customer accounts, it is permitted under Rule 15c3-1(a)(2) to maintain minimum net capital, as defined, equal to the greater of \$100,000 or 6 2/3 percent of aggregate indebtedness. At December 31, 2007, the Company had net capital of \$293,571 which was \$193,571 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was 1.5 to 1.

NOTE 3 - INCOME TAXES

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or noncurrent depending on the periods in which the temporary differences are expected to reverse.

The deferred tax assets and deferred tax liabilities are comprised of the following at December 31, 2007:

Deferred Tax assets:	
Charitable contribution carryforwards	\$ 4,900
State income Taxes	<u>100</u>
	5,000
Valuation allowance	<u>(3,300)</u>
	<u>\$ 1,700</u>
Deferred tax liabilities:	
Depreciation	<u>\$ 3,400</u>
Net deferred tax liability	<u>\$ 1,700</u>

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE 4 - LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The subordinated liabilities consist of notes payable to stockholders bearing interest at 3.0% above the prime rate and are as follows at December 31, 2007:

<u>Due Date</u>	<u>Amount</u>
November 30, 2008	\$ 50,000
November 30, 2008	50,000
November 30, 2009	50,000
November 30, 2009	50,000
November 30, 2010	50,000
November 30, 2010	<u>50,000</u>
	<u>\$ 300,000</u>

The subordinated borrowings are covered by agreements approved by the Financial Industry Regulatory Authority and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be paid (Note 2). At December 31, 2007 the prime rate was 7.25%.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Leases Commitment

The Company leases certain office facilities under month to month operating lease agreement from its stockholders. The lease requires monthly rentals of \$3,000.

The Company leases another facility under a month to month operating lease agreement. The lease requires monthly rentals of \$900.

Total rent expense for the year ended December 31, 2007 amounted to \$46,800, including amounts paid to stockholders of \$36,000.

Retirements Plans

The Company has a profit sharing plan that covers substantially all of its employees. The funding of the profit sharing plan is discretionary (maximum is 15% of total eligible compensation) and is determined annually by the Board of Directors. The contributions to the profit sharing plan for the year ended December 31, 2007 amounted to \$60,431.

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE 5 - COMMITMENTS AND CONTINGENCIES (continued)

The Company also sponsors a defined contribution plan covering substantially all employees who have satisfied a service requirement of one hour. Plan participants may contribute up to 15% of their annual eligible compensation, subject to limitations imposed by the Internal Revenue Service. The Company matches up to 100% of participant contributions to a maximum of 4% of their annual eligible compensation. The Company's total expense under this plan for the year ended December 31, 2007 amounted to \$33,446.

FINRA Investigation

As a result of a routine examination in 2001 by the United States Securities and Exchange Commission (SEC), The Financial Industry Regulatory Authority (FINRA), formerly the National Association of Securities Dealers, Inc. (NASD) has conducted an investigation of the activities of the Company in the area of fair Dealings with customers and use of class B shares. While the Company believes that its activities are justifiable, the management is unable to determine the outcome of the investigation and its ultimate impact on the financial position of the Company and its operations. No communications related to this matter have been received by the Company since 2001.

NOTE 6 - PAYMENT OF FINRA ARBITRATION AWARD

During the year ended December 31, 2007 in connection with a claim filed by a former client, the arbitration panel of the Financial Industry Regulatory Authority (FINRA) awarded the claimant the sum of \$586,095 in compensatory damages. The payment of the amount referred to above was charged to the operations and is included in the other operating expenses of the statement of operations for the year ended December 31, 2007.

NOTE 7 - SUBSEQUENT EVENT

On March 17, 2008, due to extreme financial conditions, Bear, Stearns Securities, Inc., The parent Company of Bear, Stearns Securities Corp., the clearing firm of the Company was acquired by J.P. Morgan Chase & Co. The acquisition is subject to the approval of Securities and Exchange Commission (SEC), Federal Reserve Board and the shareholders of Bear, Stearns Securities, Inc. The Management believes that the acquisition will have no impact on the continuation of the Company's operations.

SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF
THE SECURITIES EXCHANGE ACT OF 1934

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

SCHEDULE I
 GBS FINANCIAL CORP.
 COMPUTATION OF NET CAPITAL, AGGREGATE INDEBTEDNESS
 AND BASIC NET CAPITAL REQUIREMENT
 UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
 As of December 31, 2007

NET CAPITAL		
Total stockholders' equity		\$ 98,423
Add: Liabilities subordinated to claims of general creditors allowable in computation of net capital		<u>300,000</u>
TOTAL CAPITAL AND ALLOWABLE SUBORDINATED LIABILITIES		398,423
Deductions and/or charges		
Non-allowable assets:		
Commissions receivable and non-allowable Receivables net of commissions payable	\$ 15,840	
Not readily marketable securities	52	
Prepaid income taxes	22,732	
Other assets	26,307	
Property and equipment	<u>23,871</u>	<u>88,802</u>
Net capital before haircuts on securities positions		309,621
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(c)(2):		
Trading and investment securities:		
Common stocks	12,355	
Exempt securities	407	
Money market mutual funds	2,736	
Undue concentration	<u>552</u>	<u>16,050</u>
NET CAPITAL		<u>\$ 293,571</u>
AGGREGATE INDEBTEDNESS		
Items included in statement of financial condition:		
Accounts payable and accrued expenses		\$ 198,110
Commissions payable		<u>249,039</u>
TOTAL AGGREGATE INDEBTEDNESS		<u>\$ 447,149</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT		
Minimum net capital required, 6 2/3% of aggregate indebtedness or \$100,000 if greater		<u>\$ 100,000</u>
Excess net capital		<u>\$ 193,571</u>
Ratio: Aggregate indebtedness to net capital		<u>1.5 to 1</u>

SCHEDULE II
 GBS FINANCIAL CORP.
 RECONCILIATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS
 TO AMOUNTS AS REPORTED BY THE COMPANY IN PART IIA OF FORM X-17A-5
 As of December 31, 2007

	<u>Aggregate Indebtedness</u>	<u>Net Capital</u>
As reported in company's Part IIA (unaudited) FOCUS report	\$ 420,787	\$ 294,385
Increase in non-allowable assets	-	(4,904)
Increase in haircuts on securities	-	(39)
Increase in accounts payable and accrued expenses	29,362	-
Decrease in Deferred tax liability	(3,000)	-
Adjustments to stockholders' equity-net loss	<u>-</u>	<u>4,129</u>
Per Schedule I	<u>\$ 447,149</u>	<u>\$ 293,571</u>

SCHEDULE III
GBS FINANCIAL CORP.
EXEMPTION FROM DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15c3-3 AND INFORMATION RELATING TO POSSESSION OR
CONTROL REQUIREMENTS UNDER RULE 15c3-3
As of December 31, 2007

The Company is exempt from Rule 15c3-3 under the exemptive provisions of paragraph (k)(2)(ii) of that rule and, therefore, has no reserve requirements since it clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer.

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY
SECURITIES AND EXCHANGE COMMISSION RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN
EXEMPTION FROM SEC RULE 15c3-3

Board of Directors
GBS Financial Corp.
Santa Rosa, California

Members of the Board:

In planning and performing my audit of the Financial statements and supplemental schedules of GBS Financial Corp. for the year ended December 31, 2007, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregated indebtedness 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, I 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and 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, 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 misstatement 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.

My 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. I did not identify any deficiencies in internal control and internal control activities for safeguarding securities that I consider to be material weaknesses, as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities and 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2007, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (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.

Hovik M. Khaloian

March 24, 2008

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

15

END