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

SEC FILE NUMBER

8 - 28164

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 07/01/07 AND ENDING 06/30/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
Prospera Financial Services, Inc.

OFFICIAL USE ONLY

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

FIRM ID. NO.

5429 LBJ Freeway, Suite 400

(No. and Street)

Dallas
(City)

Texas
(State)

75240
(Zip Code)

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

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Brad A. Kinder, CPA

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

815 Parker Square
(Address)

Flower Mound
(City)

Texas
(State)

75028
(Zip Code)

CHECK ONE:

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

PROCESSED
SEP 16 2008
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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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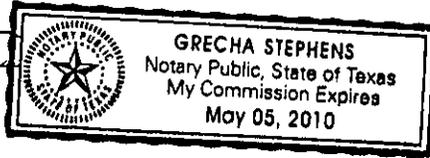
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OATH OR AFFIRMATION

I, David Stringer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Prospera Financial Services, Inc., as of June 30, 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:

NONE

[Signature]
Notary Public



[Signature]
Signature
President
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).

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BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028
972-899-1170 • FAX 972-899-1172

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prospera Financial Services, Inc.

We have audited the accompanying statement of financial condition of Prospera Financial Services, Inc. as of June 30, 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 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 Prospera Financial Services, Inc. as of June 30, 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 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.



BRAD A. KINDER, CPA

Flower Mound, Texas
August 27, 2008

PROSPERA FINANCIAL SERVICES, INC.
Statement of Financial Condition
June 30, 2008

Assets

Cash and cash equivalents	\$ 2,019,569
Commissions receivable	870,752
Advances	4,563
Prepaid expenses	127,152
Clearing deposit	100,130
Non-marketable securities	<u>11,000</u>
TOTAL ASSETS	<u><u>\$ 3,133,166</u></u>

Liabilities and Stockholders' Equity

Liabilities

Accounts payable	\$ 137,799
Accrued expenses	1,721,336
Payable to Parent	<u>32,381</u>
Total Liabilities	<u>1,891,516</u>

Stockholders' Equity

Preferred stock, no par value, 1,000,000 shares authorized, none issued or outstanding	-
Common stock, no par value, 1,000,000 shares authorized, 120,000 shares issued, and 86,664 shares outstanding	38,272
Non-voting common stock, no par value, 100,000 shares authorized, 9,629 shares issued and outstanding	77,416
Additional paid-in capital	379,339
Retained earnings	770,635
Treasury stock, 33,336 shares at cost	<u>(24,012)</u>
Total Stockholders' Equity	<u>1,241,650</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY **\$ 3,133,166**

PROSPERA FINANCIAL SERVICES, INC.

Statement of Income
Year Ended June 30, 2008

Revenue

Securities commissions	\$ 13,347,242
Insurance commissions	5,167,100
Management and advisory fees	4,722,000
Other	<u>1,196,006</u>
Total Revenue	<u>24,432,348</u>

Expenses

Compensation and related costs	21,119,156
Clearing costs	362,285
Communications	446,811
Errors and bad debts	61,443
Management fees paid to related parties	127,174
Occupancy and equipment	678,383
Promotional	141,624
Professional fees	480,212
Regulatory fees	163,478
Other expenses	<u>370,457</u>
Total Expenses	<u>23,951,021</u>
Net income before provision for income taxes	<u>481,327</u>
Income taxes - federal	194,380
Income taxes - state	<u>57,366</u>
Total current provision for income taxes	<u>251,746</u>
NET INCOME	<u><u>\$ 229,581</u></u>

PROSPERA FINANCIAL SERVICES, INC.
Statement of Changes in Stockholders' Equity
Year Ended June 30, 2008

	Preferred Shares	Common Shares Issued	Non-Voting Common Shares Issued	Treasury Shares	Common Stock	Non-Voting Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balances at June 30, 2007	-	120,000	-	33,336	\$ 38,272	\$ -	\$ 379,339	\$ 541,054	\$ (24,012)	\$ 934,653
Issuance of non-voting common shares	-	-	9,629	-	-	77,416	-	-	-	77,416
Net income	-	-	-	-	-	-	-	229,581	-	229,581
Balances at June 30, 2008	-	120,000	9,629	33,336	\$ 38,272	\$ 77,416	\$ 379,339	\$ 770,635	\$ (24,012)	\$ 1,241,650

PROSPERA FINANCIAL SERVICES, INC.
Statement of Cash Flows
Year Ended June 30, 2008

Cash Flows From Operating Activities:

Net income	\$ 229,581
Adjustments to reconcile net income to net cash provided by operating activities:	
Stock based compensation	77,416
Change in assets and liabilities	
Decrease in commissions receivable	292,361
Decrease in advances	685
Increase in prepaid expenses	(77,868)
Increase in clearing deposit	(49,948)
Increase in accounts payable	48,180
Decrease in accrued expenses	(997)
Decrease in payable to Parent	<u>(68,847)</u>
Net cash provided by operating activities	<u>450,563</u>
Net change in cash and cash equivalents	450,563
Cash and cash equivalents at beginning of year	<u>1,569,006</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,019,569</u></u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Interest	<u><u>\$ -</u></u>
Income taxes paid to Parent	<u><u>\$ 263,227</u></u>

Non-Cash Financing Activities:

9,629 non-voting common shares were issued in August 2007 under a restricted stock grant agreement. Compensation expense related to these shares totaled \$77,416.

PROSPERA FINANCIAL SERVICES, INC.
Notes to Financial Statements

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

Nature of Business:

Prospera Financial Services, Inc. (Company) was organized in July 1982 as a Texas corporation. The Company is a subsidiary of Prospera Holdings, Inc. (Parent). The Company is a broker-dealer in securities registered with the Securities and Exchange Commission (SEC) under the exemptive provisions of SEC rule 15c3-3 (k)(2)(ii). These provisions provide that all the funds and securities belonging to Company's customers be handled by a clearing broker-dealer. The Company is also registered with the SEC pursuant to Section 203 of the Investment Advisors Act of 1940 and is registered as an introducing broker with the Commodities Futures Trading Commission (CFTC) and the National Futures Association.

The majority of the Company's customers are individuals located throughout the United States, primarily in Texas.

Significant Accounting Policies:

Basis of Accounting

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the 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.

Use of Estimates

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.

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.

PROSPERA FINANCIAL SERVICES, INC.
Notes to Financial Statements

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

Non-marketable Securities

Non-marketable securities are recorded at the lower of cost or market.

Treasury Stock

Treasury stock is accounted for using the cost method.

Securities Transactions

Security transactions and the related commission revenues and expenses are recorded on the trade date.

Insurance Commissions

Insurance commissions are recorded when the policies are funded by the customer and accepted by the insurance company.

Management and Advisory Services

Management and advisory fees are earned based on contractual percentages of client assets under management. The fees are recognized as revenue during the period in which the services are rendered.

Stock-Based Compensation

The Company expenses the fair value of stock-based compensation awards to employees pursuant to SFAS No. 123, "Accounting for Stock-Based Compensation." Due to an absence of an active market for the Company's common stock, the fair value of stock compensation awards is determined by the Company at each security issuance date. The total expense for stock-based compensation awards for year ended June 30, 2008 was \$77,416.

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.

Note 2 - Non-Marketable Securities

The Company's non-marketable securities consist of a sports facilities municipal bond and four season ticket seat and option certificates at a total cost of \$11,000.

PROSPERA 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 Commodities Futures Trading Commission Act of 1974, and is required to maintain a minimum net capital, as defined under such provisions. At June 30, 2008, the Company had net capital and net capital requirements of \$985,591 and \$126,101, respectively. The Company's net capital ratio was 1.92 to 1.

Note 4 - Transactions with Clearing Broker/Dealer

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 also requires the Company to maintain a minimum of \$100,000 as a deposit in accounts with the clearing broker/dealer.

Note 5 - Commitments and Contingencies

Operating Lease

The Company leases office space under a non-cancelable operating lease expiring in 2010. Future minimum lease commitments for each of the years ending June 30 are as follows:

2009	\$ 246,217
2010	80,160
Thereafter	<u>-</u>
	<u>\$ 326,377</u>

Rent expense for the year totaled \$311,218 and is reflected in the accompanying statement of income as occupancy and equipment costs.

PROSPERA FINANCIAL SERVICES, INC.
Notes to Financial Statements

Note 5 - Commitments and Contingencies (continued)

Contingencies

The nature of the Company's business subjects it to various claims, regulatory examinations, and other proceedings in the ordinary course of business. Currently there are two open matters:

- A FINRA arbitration has been filed against the Company.
- There is a lawsuit filed against the Company in the 25th Judicial District Court of Gonzales County, Texas. The case is not set for trial, but a late 2009 trial date is anticipated.

The Company is defending itself vigorously in both matters. No estimates of possible loss, or range of loss, if any, can currently be determined. The ultimate outcomes of the lawsuit against the Company and arbitration filed cannot be determined at this time, and the results of these matters cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on the Company's results of operations in any future period, and a substantial judgment could have a material adverse impact on the Company's financial condition, results of operations, and cash flows. However, it is the opinion of management, after consultation with legal counsel, that the ultimate outcome of the lawsuit, arbitration, claims and regulatory proceedings will not have a material adverse impact on the financial condition, results of operations, or cash flows of the Company.

Note 6 - Profit Sharing Plan

Prospera Financial Services 401(k) Profit Sharing Plan (Plan) to which both the Company and eligible employees may contribute was established effective April 1, 2000. Participants from the previous plan dated January 1, 1994 became immediately eligible to participate in the Plan. The Plan is on a calendar year with employee entrance dates after the completion of 1,000 hours of service on January 1 and July 1. Company contributions are voluntary and at the discretion of the board of directors.

Employee salary deferral 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 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

PROSPERA FINANCIAL SERVICES, INC.
Notes to Financial Statements

Note 6 - Profit Sharing Plan (continued)

For the year ended June 30, 2008, the Company contributions to the plan totaled \$118,995, of which \$75,000 is accrued. The Company incurred \$4,784 in profit sharing plan expense.

Note 7 - Restricted Stock Grant

In August 2007, the Company entered into an agreement with an employee whereby 9,629 shares of no par, non-voting common stock were issued subject to a vesting requirement. The vesting period is from April 1, 2007 through March 31, 2012. The fair value of these shares at the time of issuance was \$40.20 per share. The shares vest upon satisfaction of the following terms:

- For each \$5 million of recruited revenue, as defined in the agreement, 10% (962.9) of the shares will vest. This vesting is limited to a total of 7,703.20 shares.
- Upon achieving a total of \$40 million of recruited revenue, if the Company achieves \$60 million of revenue during the vesting period, the remaining 20% (1,925.80) of the shares will vest.

At June 30, 2008, no shares have vested under this agreement.

During the year ended June 30, 2008 a total of \$77,416 has been recorded as compensation expense under this agreement. A total of \$309,665 remains to be amortized as compensation expense under this agreement in future periods.

Note 8 - Stock Appreciation Rights Plan

The Company has a Stock Appreciation Rights Plan which allows the Board to grant units to employees or independent contractors. The units, if granted, have a vesting schedule and if a Triggering Event, as defined, occurs the employees and/or independent contractors will be entitled to up to a maximum of 10% of the Net Proceeds, as defined, realized as a result of the Triggering Event.

Note 9 - 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 June 30, 2008 totaled \$32,381.

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes due to permanent and temporary non-deductible expenses. The temporary non-deductible expenses create a deferred

PROSPERA FINANCIAL SERVICES, INC.
Notes to Financial Statements

Note 9 - Income Taxes (continued)

tax asset which is not material; and therefore, not included in the accompanying financial statements.

Note 10 - 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.

Cash held at a Texas bank exceeded the federally insured limit of \$100,000 by \$297,543 at June 30, 2008; however, this at-risk amount is subject to significant fluctuations on a daily basis throughout the year.

Money market funds held at the Company's clearing broker-dealer and another broker-dealer exceeded the Securities Investor Protection Corporation limit of \$500,000 by \$67,399 and \$501,190, respectively. However, these at-risk amounts are subject to significant fluctuations on a daily basis throughout the year.

The Company has cash equivalents, commissions' receivable, and a clearing deposit held by and due from its clearing broker/dealer totaling \$1,123,514, or approximately 36% of its total assets at June 30, 2008.

Note 11 - Related Party Transactions

The Company and its Parent are under common control and the existence of that control creates operating results and financial position significantly different than if the companies were autonomous.

The Company earned \$2,020,226 in insurance commissions from a related party, of which \$97,710 are due at June 30, 2008 and are included in commissions receivable in the accompanying statement of financial condition.

The Company has a payable to its Parent of \$32,381, which has resulted from its income tax liability.

The Company incurred management fees to its Parent and two other related parties totaling \$92,879 and \$34,295, respectively, during the year.

Schedule I

PROSPERA FINANCIAL SERVICES, INC.
Computation of Net Capital and Aggregate
Indebtedness Pursuant to Rule 15c3-1
June 30, 2008

Total stockholder's equity qualified for net capital	\$ 1,241,650
Other deduction:	
Excess fidelity bond deductible	<u>13,000</u>
Total Capital	<u>1,228,650</u>
Deductions and/or charges	
Non-allowable assets:	
Commissions receivable	68,973
Advances	4,563
Prepaid expenses	127,152
Non-marketable securities	<u>11,000</u>
Total deductions and/or charges	<u>211,687</u>
Net capital before haircuts on securities positions	<u>1,016,963</u>
Haircuts on securities:	
Cash equivalents	<u>31,372</u>
Net Capital	<u><u>\$ 985,591</u></u>
Aggregate indebtedness	
Accounts payable	\$ 137,799
Accrued expenses	1,721,336
Payable to Parent	<u>32,381</u>
Total aggregate indebtedness	<u><u>\$ 1,891,516</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$100,000 or 6 2/3% of aggregate indebtedness)	<u>\$ 126,101</u>
Net capital in excess of minimum requirement	<u><u>\$ 859,490</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>1.92 to 1</u></u>

Note: The above computation does not differ from the computation of net capital under Rule 15c3-1 as of June 30, 2008 as filed by Prospera Financial Services, Inc. on Form X-17A-5. Accordingly, no reconciliation is deemed necessary.

BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028

972-899-1170 • FAX 972-899-1172

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

Board of Directors
Prospera Financial Services, Inc.

In planning and performing our audit of the financial statements of Prospera Financial Services, Inc. (the Company), as of and for the year ended June 30, 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 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 June 30, 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.


BRAD A. KINDER, CPA

Flower Mound, Texas
August 27, 2008