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

| |
|-----------------|
| SEC FILE NUMBER |
| 8-37927 |

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 06/30/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SECU Brokerage Services, Inc.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO. |

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

3101 Wake Forest Road

(No. and Street)

Raleigh

North Carolina

27609

(City)

(State)

(Zip Code)

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

Michael J Lord

(919) 839-5084

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Clifton Gunderson, LLP

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

3200 Beechleaf Ct., Suite 900

Raleigh

NC

27604

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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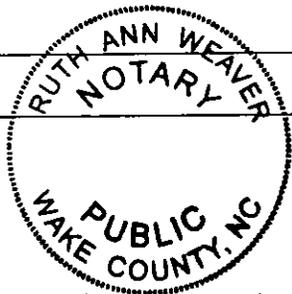
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

9/19

OATH OR AFFIRMATION

I, Michael J. Lord, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SECU Brokerage 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:



[Handwritten Signature]
Signature

CFO
Title

Ruth Ann Weaver
Notary Public Ruth Ann Weaver

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.
- (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).

SECU Brokerage Services, Inc.
Report Pursuant to Rule 17a-5(d)
Financial Statements
For the Six Month Period Ended June 30, 2008

Financial Statements
SECU Brokerage Services, Inc.

June 30, 2008

| | |
|---|-------------------|
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**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors
SECU Brokerage Services, Inc.
Raleigh, North Carolina

We have audited the statement of financial condition of SECU Brokerage Services, Inc. as of June 30, 2008, and the related statements of operations, changes in stockholder's equity, and cash flows for the six month period then ended that you are filing pursuant to Rule 17a-5 under the Securities 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 SECU Brokerage Services, Inc. as of June 30, 2008, and the results of its operations and cash flows for the six month period 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. 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.

Clifton Gunderson LLP

Raleigh, North Carolina
August 26, 2008

Offices in 13 states and Washington, DC



SECU Brokerage Services, Inc.
Statement of Financial Condition
June 30, 2008

| | <u>2008</u> |
|--|-------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 817,729 |
| Deposit with clearing organization | 106,560 |
| Receivable from related parties | 38,140 |
| Receivable –other | 48 |
| Prepaid expenses | <u>10,467</u> |
| Total Current Assets | <u>\$ 972,944</u> |
| Liabilities and Stockholder's Equity | |
| Current Liabilities | |
| Accounts payable and accrued expenses | \$ 7,540 |
| Payable to related parties | <u>43,651</u> |
| Total Current Liabilities | 51,191 |
| Stockholder's Equity | |
| Common stock, \$100 par value, 100,000 shares authorized, 1,000 shares issued and outstanding | 100,000 |
| Additional paid-in capital | 840,000 |
| Accumulated deficit | <u>(18,247)</u> |
| Total Stockholder's Equity | <u>921,753</u> |
| Total Current Liabilities and Stockholder's Equity | <u>\$ 972,944</u> |

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

SECU Brokerage Services, Inc.
Statement of Operations
Six Month Period Ended June 30, 2008

| | <u>2008</u> |
|-------------------------------------|--------------------|
| Revenues | |
| Service fee income | \$ 15,000 |
| Interest income | 12,214 |
| Other income | <u>152</u> |
| Total Revenues | 27,366 |
| | |
| Expenses | |
| Account transaction fees | 3,099 |
| Account custodial fees | 865 |
| Regulatory and examination expenses | 27,801 |
| Professional fees | 7,500 |
| Liability insurance expense | 5,188 |
| Other expenses | <u>1,160</u> |
| Total Expenses | <u>45,613</u> |
| | |
| Net Loss | <u>\$ (18,247)</u> |

The accompanying notes are an integral part of these financial statements

SECU Brokerage Services, Inc.
Statement of Changes in Stockholder's Equity
Six Month Period Ended June 30, 2008

| | <u>Common Stock</u> | <u>Additional Paid-In Capital</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|---|-------------------------|---|--------------------------------|-------------------|
| Balance at January 1, 2008 | \$ 130,000 | \$ 2,627,431 | \$ (224,252) | \$ 2,533,179 |
| Distribution to XCU Corporation, Inc. (Note 5) | (130,000) | (2,627,431) | 224,252 | (2,533,179) |
| Issuance of common stock | 100,000 | 840,000 | -0- | 940,000 |
| Net loss | -0- | -0- | (18,247) | (18,247) |
| Balance at June 30, 2008 | <u>\$ 100,000</u> | <u>\$ 840,000</u> | <u>\$ (18,247)</u> | <u>\$ 921,753</u> |

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

SECU Brokerage Services, Inc.
Statement of Cash Flows
Six Month Period Ended June 30, 2008

| | 2008 |
|--|-------------------|
| Cash flows from operating activities: | |
| Net loss | \$ (18,247) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | |
| Increase in assets: | |
| Deposit with clearing organization | (106,560) |
| Receivable from related party | (38,140) |
| Receivable – other | (48) |
| Prepaid expenses and other assets | (10,467) |
| Increase in liabilities: | |
| Accounts payable and accrued expenses | 7,540 |
| Payable to related party | 43,651 |
| Total adjustments | (104,024) |
| Net cash and cash equivalents used in operating activities | (122,271) |
| Cash flows from financing activities | |
| Distribution to XCU Corporation, Inc. (Note 5) | (1,579,555) |
| Proceeds from issuance of stock | 940,000 |
| Net cash and cash equivalents provided by financing activities | (639,555) |
| Net increase in cash and cash equivalents | (761,826) |
| Cash and cash equivalents beginning of year | 1,579,555 |
| Cash and cash equivalents end of year | \$ 817,729 |

The accompanying notes are an integral part of these financial statements

SECU Brokerage Services, Inc.
Notes to Financial Statements

NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

SECU Brokerage Services, Inc (Company) is incorporated in the State of North Carolina as a broker/dealer under the Securities and Exchange Act of 1934. The Company is a wholly-owned subsidiary of Credit Union Investment Services, Inc. (Parent), a member of the Financial Industry Regulatory Authority (FINRA), and the Securities Investor Protection Corporation (SIPC). Credit Union Investment Services, Inc. is a wholly-owned subsidiary of State Employees' Credit Union, a non-profit, financial cooperative. State Employees' Credit Union is a state chartered, federally insured financial institution which was formed in 1937 and serves 1.4 million members in North Carolina.

As further described in Note 5, SECU Brokerage Services, Inc. is the successor entity of XCU Capital Corporation, Inc. The Statement of Operations for the six month period ended June 30, 2008 also includes operations from January 4, 2008 through April 17, 2008 of XCU Capital Corporation, Inc.

The Company operates as an introducing retail broker/ dealer on a fully disclosed basis. The Company does not hold customer funds or securities.

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 reported period. Actual results could differ from those estimates.

SECU Brokerage Services, Inc.
Notes to Financial Statements

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments, including money market accounts, to be cash equivalents.

Securities transactions are recorded on a trade date basis. Marketable securities owned by the Company are accounted for at fair value based on current published market prices.

The operations of the Company are included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated as if the Company filed on a separate basis and the amount of the current tax and/or benefit calculated is either remitted to or received from the Parent.

The Company accounts for deferred income taxes using the asset and liability method. Under this method, deferred income taxes are recognized, with certain exceptions, for temporary differences between the financial reporting basis and income tax basis of assets and liabilities based on enacted tax rates expected to be in effect when such amounts are realized or settled. The effects of changes in tax laws or rates on deferred tax assets and liabilities are recognized in the period that includes the enactment date.

NOTE 2: DEPOSIT WITH CLEARING ORGANIZATION

The Company has deposited \$100,000 in cash, with Pershing, LLC, A BNY Securities Group, Co., as security for its transactions with them. Interest is paid monthly on the cash balances at the overnight repurchase agreement rate. The balance at June 30, 2008 consists of a cash and cash equivalent totaling \$106,560.

NOTE 3: RELATED PARTY TRANSACTIONS

Credit Union Investment Services, Inc (Parent), is the holding company for the Company. The Company provides brokerage services to the members of State Employees' Credit Union (SECU), which owns a 100% equity interest in the Parent.

SECU Brokerage Services, Inc.
Notes to Financial Statements

The Company has entered into an expense sharing agreement with State Employees' Credit Union (SECU). Certain costs of operation, including office space and salary expenses, are provided to the Company by SECU at no charge. Any expenses not identified in the agreement may be paid by SECU or passed on to the Company. At June 30, 2008 the Company owed SECU \$43,651 for expenses paid on its behalf.

At June 30, 2008 the Company was owed \$15,000 and \$23,140 by the Parent and SECU, respectively, for various expenses.

NOTE 4: PREPAID EXPENSES

The Company has included prepaid insurance and registration fees in prepaid expenses. The balances are either amortized over the term of the policy or expensed as incurred.

NOTE 5: BUSINESS COMBINATION

On January 4, 2008, Credit Union Investment Services, Inc. (Parent) purchased XCU Capital Corporation, Inc. (XCU) for \$40,000. No tangible assets or liabilities were included in the transaction. The purchase provided for the continuing operation of the broker/dealer. XCU was originally incorporated in the State of California on April 7, 1987, under the name XCU Brokerage Services, Inc., as an introducing broker/dealer under the Securities and Exchange Act of 1934.

On April 17, 2008 SECU Brokerage Services, Inc. was incorporated in the State of North Carolina as a broker/dealer under the Securities and Exchange Act of 1934. XCU Capital Corporation, Inc. was merged into SECU Brokerage Services, Inc at the same time.

SECU Brokerage Services, Inc.
Notes to Financial Statements

NOTE 6: INCOME TAX

Deferred tax assets at June 30, 2008 consisted of the following:

| | |
|---|----------------|
| Benefit of net operating loss carryforward for income tax purposes | \$ 6,900 |
| Allowance for realization of benefit | <u>(6,900)</u> |
| Deferred tax asset recognized | \$ <u>-0-</u> |

Management considers whether it is more likely than not that all or some portion of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is based on consideration of available evidence, including tax planning strategies and other factors. Because the Company is a new enterprise with no demonstrated history of earnings, management has established an allowance for the entire amount of the potential net operating loss benefit.

NOTE 7: RECENTLY ISSUED ACCOUNTING STANDARDS

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 provision of FIN 48 for all non-public companies is for fiscal years beginning after December 15, 2007. Adoption of the new standard has had no material effect on the financial statements of the Company.

SECU Brokerage Services, Inc.
Notes to Financial Statements

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Account Standards No. 157 (“SFAS 157”), “Fair Value Measurements.” The statement defines fair value, establishes 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. Adoption of the new standard has had no material effect on the financial statements of the Company.

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 the 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. Adoption of the new standard has had no material effect on the financial statements of the Company.

SECU Brokerage Services, Inc.
Notes to Financial Statements

NOTE 8: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SECU 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 June 30, 2008, the Company's net capital of \$854,146, exceeded the minimum net capital requirement of \$50,000 by \$804,146 and the Company's ratio of aggregate indebtedness (\$51,191) to net capital was .06 to 1, which is less than the 15 to 1 maximum ratio allowed of a broker/dealer.

NOTE 9: FOCUS REPORT

There are differences between these financial statements and the June 30, 2008 FOCUS report filed with FINRA as follows:

| | Unaudited FOCUS | Audited Statements |
|---|--------------------|-----------------------|
| Common Stock | \$ 130,000 | \$ 100,000 |
| Additional paid-in capital | 810,000 | 840,000 |
| Retained earnings | <u>(18,247)</u> | <u>(18,247)</u> |
| Total | <u>\$ 921,753</u> | <u>\$ 921,753</u> |
| Receivables from non- customers (non-allowable) | \$ 23,140 | \$ -0- |
| Receivables from related parties (non-allowable) | <u>15,000</u> | <u>38,140</u> |
| Total | <u>\$ 38,140</u> | <u>\$ 38,140</u> |

SECU Brokerage Services, Inc.
Schedule I - Computation of Net Capital
At June 30, 2008

| | |
|---|--------------------------|
| Stockholder's equity | |
| Common stock | \$ 100,000 |
| Additional paid-in capital | 840,000 |
| Accumulated deficit | <u>(18,247)</u> |
| Total stockholder's equity | 921,753 |
| | |
| Less: Non allowable assets | |
| Receivable from related party | (38,140) |
| Prepaid expenses | <u>(10,467)</u> |
| Total | <u>(48,607)</u> |
| | |
| Net capital before haircut on securities | 873,146 |
| | |
| Less: Fidelity bond deductible | <u>(19,000)</u> |
| | |
| Net Capital | 854,146 |
| | |
| Computation of net capital requirements | |
| Minimum net capital requirements | |
| 6 2/3 percent of net aggregate indebtedness | 3,412 |
| Minimum dollar net capital required | <u>50,000</u> |
| Net capital required (greater of above) | <u>50,000</u> |
| Excess net capital | <u><u>\$ 804,146</u></u> |
| | |
| Percentage of aggregate indebtedness to net capital | 0.06 : 1 |

SECU Brokerage Services, Inc.
Schedule II – Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3

A computation of reserve requirements is not applicable to SECU Brokerage Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2)(ii). This rule exempts broker/dealers who clear all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer.

SECU Brokerage Services, Inc.
Schedule III – Information Relating to Possession or Control
Requirements Under Rule 15c3-3

Information relating to possession or control requirements is not applicable to SECU Brokerage Services, Inc. as the Company qualifies for an exemption under Rule 15c3-3 (k)(2)(ii). This rule exempts broker/dealers who clear all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer.

**SECU Brokerage Services, Inc.
Report of Independent Accountants
on Internal Control
as Required by SEC Rule 17a-5
For the Six Month Period Ended June 30, 2008**



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

**Report of Independent Accountants on
Internal Control as Required by SEC Rule 17a-5**

To the Board of Directors
SECU Brokerage Services, Inc.
Raleigh, North Carolina

In planning and performing our audit of the financial statements of SECU Brokerage Services, Inc. as of and for the six month period ended June 30, 2008, we considered its internal control, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) and (2) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by SECU Brokerage Services, Inc. including 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 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.
2. Recordation of differences required by Rule 17a-13.
3. 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 an internal control structure 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 accounting principles generally accepted in the United States of America. 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 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 would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 were adequate at June 30, 2008 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and other regulatory agencies which 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.

Clifton Henderson LLP

Raleigh, North Carolina
August 26, 2008

END