

SECURITIES AND EXCHANGE COMMISSION



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SECISION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-15719

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 October 1, 2007 AND ENDING September 30, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Financial America Securities, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

925 Euclid Avenue, Suite 1525

(No. and Street)

Cleveland

(City)

Ohio

(State)

44115

(Zip Code)

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

John D. Rukenbrod

(216) 781-5060

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Hobe & Lucas Certified Public Accountants, Inc.

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

4807 Rockside Road, Suite 510

(Address)

Independence

(City)

Ohio

(State)

44131

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
JAN 16 2009

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**THOMSON REUTERS**

\*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)

OATH OR AFFIRMATION

I, John D. Rukenbrod, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Financial America Securities, Inc., as of September 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**JAMES SKUFCA**  
Notary Public, State of Ohio - Lake Cty.  
My Commission Expires Dec. 8, 2008

James Skufca  
Notary Public

[Signature]  
Signature  
COO  
Title

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).

FINANCIAL AMERICA SECURITIES, INC.

AND SUBSIDIARY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**ANNUAL AUDIT REPORT**

For The Period From October 1, 2007 to September 30, 2008

**FINANCIAL AMERICA SECURITIES, INC.  
AND SUBSIDIARY  
(Name of Respondent)**

1525 Huntington Building  
925 Euclid Ave.  
Cleveland, OH 44115  
**(Address of Principal Executive Office)**

Mr. John C. Rukenbrod  
Financial America Securities, Inc.  
1525 Huntington Building  
925 Euclid Ave.  
Cleveland, OH 44115  
(216) 781-5060

**(Name and address of person authorized to receive notices  
and communications for the Securities and Exchange Commission)**

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**

**SEPTEMBER 30, 2008**

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# Hobe & Lucas

Certified Public Accountants, Inc.

4807 Rockside Road, Suite 510 Phone: (216) 524.8900  
Independence, Ohio 44131 Fax: (216) 524.8777  
<http://www.hobe.com>

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Financial America Securities, Inc.  
and Subsidiary  
Cleveland, Ohio

We have audited the accompanying consolidated statement of financial condition of Financial America Securities, Inc. and Subsidiary as of September 30, 2008, and the related consolidated 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 Financial America Securities, Inc. and Subsidiary as of September 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 made 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 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hobe and Lucas*  
*Certified Public Accountants, Inc.*

November 7, 2008

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Independent Member

**B K R**  
INTERNATIONAL

Firms In Principal Cities Worldwide

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2008**

**ASSETS**

**Current Assets**

|  |               |            |
|--|---------------|------------|
| Cash                                       | \$ 323,969    |            |
| Cash - restricted                          | 7,501         |            |
| Marketable securities - special account    | 52,071        |            |
| Marketable securities - trading securities | 31,692        |            |
| Accounts receivable                        | 61,725        |            |
| Advances - shareholder                     | 18,439        |            |
| Prepaid expenses                           | 5,228         |            |
| Prepaid federal income tax                 | 4,620         |            |
| Deferred taxes                             | 6,200         |            |
| Deposit at clearing organization           | <u>52,247</u> | \$ 563,692 |

**Property and Equipment**

|                                |               |       |
|--------------------------------|---------------|-------|
| Furniture and fixtures         | 47,915        |       |
| Less: Accumulated depreciation | <u>43,848</u> | 4,067 |

**Other Assets**

|          |  |                   |
|----------|--|-------------------|
| Deposits |  | <u>4,659</u>      |
|          |  | <u>\$ 572,418</u> |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current Liabilities**

|                                   |                |            |
|-----------------------------------|----------------|------------|
| Accounts payable                  | \$ 11,973      |            |
| Payable - clearing                | 58,951         |            |
| Securities sold not yet purchased | 12,090         |            |
| Accrued expenses                  | <u>137,147</u> | \$ 220,161 |

**Stockholders' Equity**

|  |                |                   |
|--|----------------|-------------------|
| Common stock, no par value, 700 shares authorized,<br>626 shares issued and 493 shares outstanding | 781            |                   |
| Additional paid in capital   | 227,936        |                   |
| Retained earnings  | <u>232,104</u> |                   |
|  | 460,821        |                   |
| Less: Treasury stock - 133 shares at cost  | <u>108,564</u> | <u>352,257</u>    |
|  |                | <u>\$ 572,418</u> |

See accompanying notes to financial statements.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Revenue**

Commissions:

|   |           |                  |
|---|-----------|------------------|
| Commission on transactions in listed equity securities executed on an exchange            | \$ 4,453  |                  |
| Commission on transactions in exchange listed equity securities executed over-the-counter | 287,274   |                  |
| All other securities commissions  | 1,091,543 |                  |
| Total securities commissions  |           | \$ 1,383,270     |
| Net gains on firm security investment accounts - including unrealized gains (losses)      |           | 132,437          |
| Fees for account supervision, investment advisory and administrative services             |           | 38,601           |
| Other revenue related to securities business  |           | 44,587           |
|   |           | <u>1,598,895</u> |

**Expenses**

|  |           |                  |
|--|-----------|------------------|
| Registered representatives' compensation           | 1,046,386 |                  |
| Clerical and administrative employee expense       | 226,553   |                  |
| Taxes and other employment cost                    | 41,309    |                  |
| Clearance paid to non-brokers                      | 51,960    |                  |
| Telephone and internet                             | 17,819    |                  |
| Occupancy cost                                     | 35,724    |                  |
| Regulatory fees                                    | 28,182    |                  |
| Professional fees                                  | 54,395    |                  |
| Insurance  | 5,331     |                  |
| Interest   | 2,412     |                  |
| Dues and subscriptions                             | 613       |                  |
| Equipment lease                                    | 5,606     |                  |
| Quotation expense                                  | 63,593    |                  |
| Other expenses (including depreciation of \$2,305) | 32,549    |                  |
| Total expenses                                     |           | <u>1,612,432</u> |

**Net Income (Loss) Before Provision For (Recovery Of) Income Taxes** (13,537)

**Provision For (Recovery Of) Income Taxes** (6,000)

**Net Loss** \$ (7,537)

See accompanying notes to financial statements.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

|   | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid-In<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Treasury<br/>Stock</u> | <u>Total</u>      |
|---|-------------------------|---|------------------------------|---------------------------|-------------------|
| <b><u>Balance- October 1, 2007</u></b>    | \$ 781                  | \$ 227,936                                | \$ 239,641                   | \$ (108,564)              | \$ 359,794        |
| <b><u>Net Income (Loss)</u></b>           | _____                   | _____                                     | (7,537)                      | _____                     | (7,537)           |
| <b><u>Balance- September 30, 2008</u></b> | <u>\$ 781</u>           | <u>\$ 227,936</u>                         | <u>\$ 232,104</u>            | <u>\$ (108,564)</u>       | <u>\$ 352,257</u> |

See accompanying notes to financial statements.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Cash Flows Used By Operating Activities**

|   |                |
|---|----------------|
| Net loss  | \$ (7,537)     |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                |
| Depreciation  | 2,305          |
| Deferred taxes  | (13,200)       |
| Change in assets and liabilities:   |                |
| Decrease in accounts receivable   | 90,733         |
| Increase in note receivable shareholder   | (681)          |
| Decrease in prepaid expenses  | 3,984          |
| Increase in restricted cash   | (7,501)        |
| Decrease in prepaid federal income tax  | 7,200          |
| Decrease in deposits - clearing organization  | 6,176          |
| Decrease in accounts payable  | (7,279)        |
| Increase in payable - clearing organization   | 37,983         |
| Increase in accrued expenses  | 82,516         |
| Net Cash Provided By Operating Activities   | <u>194,699</u> |

**Cash Flows From Investing Activities**

|                                       |               |
|---------------------------------------|---------------|
| Net decrease in marketable securities | <u>33,545</u> |
|---------------------------------------|---------------|

**Net Increase in Cash**

228,244

**Cash - October 1, 2007**

95,725

**Cash - September 30, 2008**

\$ 323,969

**Supplemental Disclosure of Cash Flow Information:**

|                   |          |
|-------------------|----------|
| Interest paid     | \$ 2,412 |
| Income taxes paid | \$ -     |

See accompanying notes to financial statements.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

**Organization and Operations**

Financial America Securities, Inc. and Subsidiary (the Company) is a registered broker dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers (NASD). The Company operates as an introducing broker and provides full-service brokerage services to institutional and retail customers on a fully disclosed basis.

Effective July 18, 2003, the Company formed an eighty percent subsidiary, Financial America Advisory Securities, Inc. the subsidiary provides investment advisory services and had no significant activity for the year ended September 30, 2008.

**Principles of Consolidation**

At September 30, 2008, the consolidated financial statements of Financial America Securities, Inc. and Subsidiary include the accounts of the Company and its majority owned subsidiary, Financial America Advisory Services, Inc. All intercompany transactions and balances have been eliminated.

**Revenue Recognition**

The Company recognizes commissions and related clearing and commission expenses on the trade date basis.

**Marketable Securities**

The Company has a special account for the exclusive benefit of its customers. This account is maintained for the deposit of customer funds submitted to the Company for the sole purpose of paying for registered investment company securities, pursuant to Rule 15c3-3 (k)(2)(i).

The Company also holds investments in stocks for the benefit of the Company. They are recorded at fair market value.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

**Accounts Receivable**

The Company uses the reserve method of accounting for bad debts. The allowance was \$-0- as of September 30, 2008.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**NOTE 2 - INCOME TAXES**

The Company is taxed as a C corporation and required to pay federal corporate income taxes on its taxable income. The Company provides for taxes based upon financial income without regard to the period in which they are assessable for tax purposes.

The provision for income taxes at September 30, 2008 is comprised of the following:

|          |                   |
|----------|-------------------|
| Current  | \$ 7,200          |
| Deferred | <u>(13,200)</u>   |
|          | <u>\$ (6,000)</u> |

Deferred income taxes are provided for temporary differences between tax and financial statement reporting. The principal sources of temporary differences are different methods for recording depreciation and unrealized gains on firm investments for financial accounting and tax purposes.

The Company's deferred tax assets and liabilities at September 30, 2008 consist of:

|                        |                 |
|------------------------|-----------------|
| Deferred tax asset     | \$ 7,200        |
| Valuation allowance    | -0-             |
| Deferred tax liability | <u>(1,000)</u>  |
|                        | <u>\$ 6,200</u> |

**NOTE 3 - NET CAPITAL PROVISION OF RULE 15c3-1**

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities and Exchange Commission to maintain minimum net capital, as defined, equal to \$100,000. At September 30, 2008, the Company's net capital was \$295,712 which was \$195,712 more than the minimum required net capital. At September 30, 2008, the Company's ratio of aggregate indebtedness to net capital was 74%.

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

Under the terms of the Company's agreement with its clearing firm, the Company has ultimate responsibility for any loss, liability, damage, cost or expense incurred as a result of the failure of any account to make timely payment for the securities purchased or timely and good delivery of securities sold on the account. In the opinion of management, the ultimate settlement of these matters will not have a material adverse effect on the financial position of the Company.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**NOTE 5 - COMMITMENTS**

The Company leases office facilities under an operating lease expiring May 2011. Minimum annual rents for the lease are as follows:

|      |                  |
|------|------------------|
| 2009 | \$ 23,430        |
| 2010 | 23,430           |
| 2011 | <u>15,620</u>    |
|      | <u>\$ 62,480</u> |

Rent expense was \$30,041 for the year ended September 30, 2008.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment is recorded at cost. Depreciation for financial statement purposes is computed over the estimated useful lives of the assets using the straight-line method. The depreciation rates for furniture and fixtures are based on a useful life of 5 - 7 years.

**NOTE 7 - STOCK COMPENSATION**

The Company granted stock options to an officer of the Company in December 2005 and accounted for this arrangement based on the intrinsic value of the equity instruments granted, as set forth in Accounting Principles Board Opinion (APB) No. 25, *Accounting For Stock Issued to Employees*. In accordance with APB No. 25, no stock based compensation cost was reflected in the Company's net income in the year of issuance for grants of stock options to employees because the Company granted stock options with an exercise price equal to an estimated fair market value. There are 70 options awarded and outstanding at an option price of \$662 per option. The options were fully vested at date of issuance and expire December 31, 2010. There have been no options exercised during 2008.

**NOTE 8 - PENSION PLAN**

The Company has a SIMPLE plan. Contribution expense for the year ended September 30, 2008 was \$5,272.

**NOTE 9 - CONCENTRATION OF CREDIT RISK**

The Company maintains cash in financial institutions which, time to time, may exceed federally insured limits.

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2008**

**NOTE 11 - FINANCIAL DATA OF SUBSIDIARY**

The consolidated financial statements include the accounts of Financial America Advisory Services, Inc., which include:

|             |                 |
|-------------|-----------------|
| Assets      | <u>\$ 2,872</u> |
| Liabilities | \$ 800          |
| Net Worth   | <u>2,072</u>    |
|             | <u>\$ 2,872</u> |

**NOTE 12 - MARKETABLE SECURITIES**

The Company holds investments in equities, classified as trading securities, that are valued as follows:

|                   |                  |
|-------------------|------------------|
| Cost              | \$ 60,496        |
| Unrealized loss   | <u>(28,804)</u>  |
| Fair Market Value | <u>\$ 31,692</u> |

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**

**SUPPLEMENTAL FINANCIAL INFORMATION**

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

**SEPTEMBER 30, 2008**

**FINANCIAL AMERICA SECURITIES, INC. AND SUBSIDIARY**  
**SCHEDULE I - COMPUTATION OF NET CAPITAL**  
**PURSUANT TO RULE 15c3-1**  
**SEPTEMBER 30, 2008**

**Net Capital**

|   |                   |
|---|-------------------|
| Total stockholders' equity from statement of financial condition  | \$ 352,257        |
| Non-allowable assets:   |                   |
| Unsecured receivables   | (18,439)          |
| Deposits  | (4,659)           |
| Prepaid expenses  | (9,848)           |
| Net furniture and fixtures  | (4,067)           |
| Restricted cash   | (7,501)           |
|   | <u>307,743</u>    |
| <br>  |                   |
| Net capital before haircuts on security positions                 | 307,743           |
| Haircuts on securities  | (12,831)          |
| Net capital   | <u>\$ 294,912</u> |
| <br>  |                   |
| <b><u>Aggregate indebtedness</u></b>                              | <u>\$ 220,161</u> |
| <br>  |                   |
| <b><u>Computation of basic net capital requirement</u></b>        |                   |
| <b><u>6-2/3% of aggregate indebtedness</u></b>                    | <u>\$ 14,677</u>  |
| <br>  |                   |
| <b><u>Minimum required net capital</u></b>                        | <u>\$ 100,000</u> |
| <br>  |                   |
| <b><u>Net capital requirement</u></b>                             | <u>\$ 100,000</u> |
| <br>  |                   |
| <b><u>Excess net capital</u></b>                                  | <u>\$ 194,912</u> |
| <br>  |                   |
| <b><u>Excess net capital at 1,000%</u></b>                        | <u>\$ 272,896</u> |
| <br>  |                   |
| <b><u>Percentage of aggregate indebtedness to net capital</u></b> | <u>75%</u>        |

**Additional Statement**

There are no material differences in the computation with Form X-17A-5, Part II A.

See accompanying notes to financial statements.

# Hobe & Lucas

Certified Public Accountants, Inc.

4807 Rockside Road, Suite 510 Phone: (216) 524.8900  
Independence, Ohio 44131 Fax: (216) 524.8777  
<http://www.hobe.com>

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

To the Board of Directors  
Financial America Securities, Inc. and Subsidiary  
Cleveland, Ohio

In planning and performing our audit of the financial statements of Financial America Securities, Inc. and Subsidiary (the "Company") for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide assurance on 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 the quarterly securities examinations, counts, verifications and comparisons, and the 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 internal 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 criteria 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional criteria 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, misstatement due to errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that meet the criteria referred to in the second paragraph of this report are considered by the SEC to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not meet such criteria 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 September 30, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, 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 and should not be used by anyone other than these specified parties.

*Hobe and Lucas*  
*Certified Public Accountants, Inc.*

November 7, 2008

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**END**