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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires: February 28, 2010	
Estimated average burden hours per response . . . 12.00	

SEC FILE NUMBER
8-14609

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

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 (MM/DD/YY) AND ENDING 12/31/08 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Lincoln Financial Securities Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

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

One Granite Place
(No. and Street)

Concord (City) New Hampshire (State) 03301 (Zip Code)

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

Keith J. Ryan 260-455-6244
(Area Code – Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP
(Name – *if individual, state last, first, middle name*)

Two Commerce Square, 2001 Market Street, Suite 4000 (Address) Philadelphia (City) PA (State) 19103 (Zip Code)

PROCESSED
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THOMSON REUTERS

CHECK ONE:

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

FOR OFFICIAL USE ONLY

**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).*

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

SEC 1410 (06-02)

OATH OR AFFIRMATION

I, David K. Booth, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of

Lincoln Financial Securities Corporation, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Signature

President
Title

Notary Public

ELIZABETH J. SEAULAC, Notary Public
My Commission Expires June 7, 2011

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 Proprietor's 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.
- ■ (o) Supplementary report on internal control.
- □ (p) Schedule of segregation requirements and funds in segregation-customers' regulated commodity futures account pursuant to Rule 171-5.

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

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Lincoln Financial Securities Corporation and Subsidiaries
Year Ended December 31, 2008
With Report and Supplementary Report of Independent Registered Public Accounting Firm

0812-1014116-PH

Lincoln Financial Securities Corporation and Subsidiaries

Consolidated Financial Statements and Supplemental Information

Year Ended December 31, 2008

Contents

Report of Independent Registered Public Accounting Firm 1

Audited Consolidated Financial Statements

Consolidated Statement of Financial Condition 2
Consolidated Statement of Income 3
Consolidated Statement of Changes in Stockholder's Equity 4
Consolidated Statement of Cash Flows 5
Notes to Consolidated Financial Statements 6

Supplemental Information

Schedule I – Computation of Net Capital Pursuant to Rule 15c3-1 11
Schedule II – Statement Regarding Rule 15c3-3 12

Supplementary Report

Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1) 13

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Lincoln Financial Securities Corporation

We have audited the accompanying consolidated statement of financial condition of Lincoln Financial Securities Corporation and its subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the year then ended. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included 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, and 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 consolidated financial position of Lincoln Financial Securities Corporation and its subsidiaries at December 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedules 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 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.

Ernst & Young LLP

February 23, 2009

Lincoln Financial Securities Corporation and Subsidiaries

Consolidated Statement of Financial Condition

December 31, 2008

Assets	
Cash and cash equivalents	$ 16,144,976
Cash segregated under federal and other regulations	1,000
Receivable from agents, brokers, or dealers	6,973,239
Deferred tax asset, net	1,357,632
Other assets	181,208
Total assets	$ 24,658,055
Liabilities and stockholder's equity	
Liabilities:	
Commissions payable	$ 4,478,342
Due to affiliates	2,607,632
Income taxes payable to Parent	410,300
Other liabilities	4,526,056
Total liabilities	12,022,330
Stockholder's equity:	
Common stock, par value $1 per share; authorized 100,000 shares, issued and outstanding 50,000 shares	50,000
Additional paid-in capital	13,230,325
Accumulated deficit	(644,600)
Total stockholder's equity	12,635,725
Total liabilities and stockholder's equity	$ 24,658,055

See accompanying notes.

Lincoln Financial Securities Corporation and Subsidiaries

Consolidated Statement of Income

Year Ended December 31, 2008

Revenues	
Concession income	$ 111,044,474
Concession income from affiliates	19,624,160
Fees	7,520,452
Interest	688,891
Other income	330,360
	139,208,337
Expenses	
Selling	119,301,929
General and administrative	14,733,437
Taxes, licenses, and fees	819,557
	134,854,923
Income before income taxes	4,353,414
Income tax expense	1,545,493
Net income	$ 2,807,921

See accompanying notes.

Lincoln Financial Securities Corporation and Subsidiaries

Consolidated Statement of Changes in Stockholder's Equity

Year Ended December 31, 2008

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholder's Equity
	Shares	Amount			
Balance at December 31, 2007	50,000	$ 50,000	$ 15,940,222	$ 7,837,582	$ 23,827,804
Net income	–	–	–	2,807,921	2,807,921
Dividend paid to Parent	–	–	–	(11,290,103)	(11,290,103)
Return of capital to Parent	–	–	(2,709,897)	–	(2,709,897)
Balance at December 31, 2008	50,000	$ 50,000	$ 13,230,325	$ (644,600)	$ 12,635,725

See accompanying notes.

Lincoln Financial Securities Corporation and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31, 2008

Operating activities	
Net income	$ 2,807,921
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred tax benefit	(104,521)
Decrease in receivables from agents and brokers or dealers	696,181
Decrease in insurance claim receivable	1,500,000
Decrease in other assets	108,799
Decrease in commissions payable	(2,026,565)
Increase in due to affiliates	1,372,595
Decrease in income taxes payable	(48,153)
Decrease in other liabilities	(1,702,105)
Net cash provided by operating activities	2,604,152
Financing activities	
Dividend paid to Parent	(11,290,103)
Return of capital to Parent	(2,709,897)
Net cash used in financing activities	(14,000,000)
Decrease in cash and cash equivalents	(11,395,848)
Cash and cash equivalents at beginning of the year	27,540,824
Cash and cash equivalents at end of the year	$ 16,144,976
Supplemental disclosure of cash flow information	
Federal income tax payments (paid to Parent)	$ 1,158,933

See accompanying notes.

Lincoln Financial Securities Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2008

1. Accounting Policies

Organization and Nature of Business

On July 1, 2008, Jefferson Pilot Securities Corporation changed its name to Lincoln Financial Securities Corporation (the Company or LFS). The Company is a wholly owned subsidiary of Lincoln National Corporation (Parent or LNC). Affiliates of the Company include The Lincoln National Life Insurance Company (LNL), Jefferson Pilot Variable Corporation, and Hampshire Funding, Inc. (Hampshire) which are also 100% owned by the Parent.

Allied Professional Advisors (APA) and JPSC Insurance Services, Inc. are wholly owned subsidiaries of the Company. APA provides investment advisory services through its investment advisory representatives and registered representatives of LFS. JPSC Insurance Services, Inc. is required by state laws to facilitate the payment of commissions to registered representatives.

Incorporated in 1969, the Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company has nonexclusive selling agreements with a number of mutual fund distributors, variable annuity companies, limited partnerships, and fee-based advisory services. The Company also offers brokerage services for stock and bond transactions. The Company's principal markets for these investment vehicles are U.S.-based investors.

The Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities, does not otherwise hold funds or securities, or owe money or securities to customers. Accordingly, the Company is exempt from the provisions of Rule 15c3-3 of the Securities and Exchange Commission.

Principles of Consolidation

The consolidated financial statements include the accounts of Lincoln Financial Securities Corporation and all of its subsidiaries. All material intercompany accounts and transactions have been eliminated.

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.

1. Accounting Policies (continued)

Cash and Cash Equivalents

The Company includes with cash and cash equivalents its holdings of highly liquid investments, which mature within three months of the date of purchase.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The Company adopted SFAS No. 157 effective January 1, 2008, which did not have an impact on the financial statements. Using the terminology in SFAS No. 157, the Company's cash equivalents are Level 1 securities as valuation is determined using an unadjusted quoted price.

Recognition of Revenue and Expense

Concession income and interest revenue are recorded as earned, and selling expenses are recorded as incurred. Fee revenue principally includes registered representative fees, additional dealer reallowances, and fees for general securities trades.

Income Taxes

The Company files consolidated federal income tax returns with LNC. Pursuant to an intercompany tax-sharing agreement with LNC, the Company provides for income taxes on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from LNC. The tax-sharing agreement also provides that the Company will receive benefit for net operating losses, capital losses, and tax credits, which may not be usable on a separate return basis to the extent such items may be utilized in the consolidated federal income tax returns of LNC.

2. Cash Segregated Under Federal and Other Regulations

Cash of $1,000 has been segregated in a special bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

3. Receivables from Agents, Brokers, or Dealers and Commissions Payable

Amounts receivable from agents, brokers, or dealers and commissions payable at December 31, 2008 consist of the following:

	Receivable	Payable
Concession receivable and commissions payable	$ 4,569,643	$ 4,478,342
Loans receivable, net	1,798,774	--
Other	604,822	–
	$ 6,973,239	$ 4,478,342

The Company clears customer transactions through a clearing organization and unaffiliated broker dealers on a fully disclosed basis. Concession receivable includes amounts due from the clearing organization and unaffiliated broker dealers for customer transactions. Commissions payable includes amounts payable to registered representatives for customer transactions.

Loans receivable include amounts due from registered representatives, net of amortization expense, which is calculated using the straight-line method over the life of the individual loan. The Company provides transition assistance loans to its registered representatives as part of its recruitment program. Loans are contingent on production levels and may have maturity date ranges of two to seven years. If certain production levels are met, principal and interest may be waived.

4. Employee Benefit and Compensation Plans

Individuals who provide services to the Company are employees of the Parent or its affiliates. The Parent sponsors various contributory defined contribution plans, non-qualified unfunded, deferred compensation plans, incentive plans and a voluntary employees' beneficiary association (VEBA) trust that provides postretirement medical, dental and life insurance benefits. Eligibility and the amount of required contribution for these benefits varies based upon a variety of factors including years of service and year of retirement.

Many of the Company's employees are participants in the qualified funded defined benefit pension plans maintained by the Parent. The Parent also maintains non-qualified, unfunded defined benefit pension plans for certain employees and certain former employees of Jefferson-Pilot. All of the Parent's defined benefit pension plans were "frozen" as of December 31, 2007, or earlier. For the frozen plans, there are no new participants and no future accruals of benefits from the date of the freeze. Interest continue until the employee's benefit is paid.

4. Employee Benefit and Compensation Plans (continued)

The Company's registered representatives may be eligible to participate in a deferred compensation plan. The deferred compensation plan is a voluntary, nonqualified plan, allowing registered representatives to defer up to 100% of their securities commissions. Representatives may select from a menu of "phantom" investments options. The Parent is the plan sponsor.

During the year ended December 31, 2008, the Company was allocated $1.0 million by the Parent in connection with the employee benefit and compensation plans discussed above. The allocated expense associated with these plans is included in general and administrative expenses in the consolidated statement of income.

5. Contingencies

The Company is involved in pending or threatened lawsuits arising from its business and has provided for loss contingencies of approximately $3.35 million, which is included in other liabilities in the consolidated statement of financial condition. Although the results of legal actions cannot be predicted, it is the opinion of management that the resolution of such litigation will not have a material effect on the Company's ability to meet its net capital or aggregate indebtedness requirements.

6. Guarantees

FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45), requires the Company to disclose information regarding its indemnification agreement with its clearing brokers.

The Company has agreed to indemnify the clearing brokers for losses that it may sustain from the customer accounts introduced by the Company. At December 31, 2008, the total amount of customer balances subject to such indemnification was approximately $8.9 million. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions. The maximum potential amount of future payments that the Company could be required to make under this indemnification cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under this arrangement and has not recorded any contingent liability in the consolidated financial statements for this indemnification.

7. Income Taxes

Income tax expense for the year ended December 31, 2008 consists of the following:

Federal	$ 1,514,946
State	30,547
	$ 1,545,493

Income tax expense differs from the federal tax rate of 35% primarily as a result of state income taxes. Income tax expense includes a deferred income tax benefit of $104,521. Current federal income taxes payable was $4,979 at December 31, 2008. The Company had a net deferred tax asset of $1,357,632 at December 31, 2008, which consisted of $(4,395) associated with limited partnership investments and $39,664 and $1,322,363 related to amortization expense and loss contingencies, respectively.

8. Net Capital Requirement

As a registered broker-dealer in securities, 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. At December 31, 2008, the Company had net capital of $7,784,380, which was $6,982,537 in excess of its required net capital of $801,843. The Company's ratio of aggregate indebtedness to net capital was 1.55 to 1. Aggregate indebtedness, used to compute the Company's net capital, includes reclassifications prescribed by Rule 15c3-1.

9. Transactions with Affiliates (Related-Party Transactions)

Service charges are allocated to the Company by certain affiliates for corporate and administrative services provided, as described in the Master Services Agreement. The service charges include, but are not limited to, information technology, human resource administration, legal services, and compliance. These service charge allocations, which amounted to $3.1 million for the year ended December 31, 2008, are reported in general and administrative expenses on the consolidated statement of income.

Due to affiliates represents net receivables and payables, primarily related to general and administrative expenses.

As a registered broker-dealer in securities, the Company buys and sells shares of regulated investment companies for participants in Hampshire's insurance funding programs.

Supplemental Information

Lincoln Financial Securities Corporation and Subsidiaries

Schedule I – Computation of Net Capital Pursuant to Rule 15c3-1

December 31, 2008

Computation of net capital	
Total stockholder's equity	$ 12,635,725
Nonallowable assets:	
Accounts receivable, net	2,641,274
Deferred tax asset	1,357,632
Deposits held by clearing firms	170,000
Other assets	7,439
Total nonallowable assets	4,176,345
Other deductions and/or charges	675,000
Net capital before haircuts on securities positions	7,784,380
Haircuts on other securities	–
Net capital	$ 7,784,380
Total aggregate indebtedness	$ 12,027,652
Computation of basic net capital requirement:	
Minimum net capital required (6 2/3% of aggregate indebtedness)	$ 801,843
Minimum dollar net capital requirement	$ 250,000
Net capital requirement (greater of above amounts)	$ 801,843
Excess net capital	$ 6,982,537
Excess net capital at 1,000%	$ 6,581,615
Ratio of aggregate indebtedness to net capital	1.55 to 1

There were no material differences between the audited Computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2008, Part IIA FOCUS filing.

Lincoln Financial Securities Corporation and Subsidiaries

Schedule II – Statement Regarding Rule 15c3-3

December 31, 2008

Lincoln Financial Securities Corporation is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i and ii) of that Rule. All customer transactions are cleared through an unaffiliated broker-dealer on a fully disclosed basis.

Supplementary Report

0812-1014116-PH

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Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Board of Directors
Lincoln Financial Securities Corporation

In planning and performing our audit of the consolidated financial statements of Lincoln Financial Securities Corporation and subsidiary (the Company) as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States, we considered their internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated 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. The 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.

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Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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

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

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulation 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.

Ernst & Young LLP

February 23, 2009

Ernst & Young LLP

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About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 130,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

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