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

SEC FILE NUMBER
8- 21426

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 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Tryon Securities, L.L.C.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1355 Greenwood Cliff, Suite 401
(No. and Street)

Charlotte North Carolina 28204
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Jim Vergin 794.926.2451
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Cherry, Bekaert & Holland, L.L.P.
(Name - if individual, state last, first, middle name)

1111 Metropolitan Avenue, Suite 1000, Charlotte, North Carolina 28204
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

SEC Mail Processing
Section
MAR 09 2009
Washington, DC
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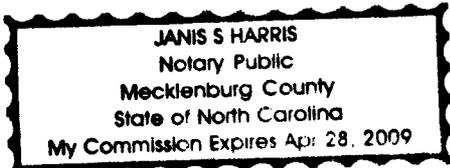
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, James R. Vergin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Tryon Securities, L.L.C., 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:



Jan S. Harris
Notary Public

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

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

FIRST TRYON SECURITIES, LLC

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Report of Independent Auditors

The Members
First Tryon Securities, L.L.C.
Charlotte, North Carolina

We have audited the accompanying statement of financial condition of First Tryon Securities, L.L.C. (the "Company") as of December 31, 2008, and the related statement of operations, changes in members' capital 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 audits.

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 audits provide 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 First Tryon Securities, L.L.C. as of December 31, 2008, and the results of its operations, comprehensive income and changes in members' capital and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert & Holland, L.L.P.

Charlotte, North Carolina
February 13, 2009

FIRST TRYON SECURITIES, LLCStatement of Financial Condition
As of December 31, 2008**Assets****December 31,
2008**

Cash and cash equivalents	\$ 4,110,684
Cash deposited with clearing broker	50,000
Receivable - clearing broker	3,224,431
Marketable securities owned, at market value	11,202,670
Interest receivable	32,072
Property and equipment, net of accumulated depreciation	293,151
Other assets	<u>61,022</u>
Total assets	\$ <u><u>18,974,030</u></u>

Liabilities and Members' Capital

Securities sold not yet purchased, at market value	\$ 6,934,007
Accrued compensation	1,107,383
Other accrued expenses and liabilities	<u>164,403</u>
Total liabilities	<u>8,205,793</u>
Members' capital	<u>10,768,237</u>
Total liabilities and members' capital	\$ <u><u>18,974,030</u></u>

See notes to financial statements.

FIRST TRYON SECURITIES, LLC

Statement of Operations
For The Year Ended December 31, 2008

		Year Ended December 31, 2008
Revenues		
Net trading revenue	\$	13,376,750
Interest income		1,167,561
Other income		<u>32,044</u>
Total revenues		14,576,355
Operating expenses		
Compensation and benefits	\$	6,215,160
Occupancy		152,107
Depreciation and amortization		65,886
Clearing fees		320,827
Technical trading services		699,908
Interest expense		509,203
Other operating expenses		<u>345,027</u>
		<u>8,308,118</u>
Net income	\$	<u><u>6,268,237</u></u>

See notes to financial statements.

FIRST TRYON SECURITIES, LLC

Statement of Changes in Members' Capital

	Comprehensive Income	Accumulated Other Comprehensive Income	Members' Capital
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2007	\$ -	\$ -	\$ 8,545,264
Net income	6,268,237	-	6,268,237
Member distributions	-	-	(4,284,576)
Member contributions	-	-	239,312
Balance, December 31, 2008	<u>\$ 6,268,237</u>	<u>\$ -</u>	<u>\$ 10,768,237</u>

See notes to financial statements.

FIRST TRYON SECURITIES, LLC

Statement of Cash Flows
For The Year Ended December 31, 2008

	Year Ended December 31, 2008
Cash flows from operating activities	
Net income	\$ 6,268,237
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	65,886
Decrease in cash deposited with clearing broker	50,000
Increase in receivable - clearing broker	(3,224,431)
Decrease in marketable securities owned	21,383,873
Decrease in interest receivable	266,930
Increase in other assets	(15,912)
Decrease in payable from brokers and dealers	(16,641,937)
Decrease Increase in accounts payable and accrued expenses	(151,134)
	8,001,512
Net cash provided by operating activities	
Cash flows from investing activities	
Purchases of property and equipment	(23,060)
	(23,060)
Net cash used in investing activities	
Cash flows from financing activities	
Member distributions	(4,284,576)
Member contributions	239,312
	(4,045,264)
Net cash used in financing activities	
Net increase in cash and cash equivalents	3,933,188
Cash and cash equivalents at beginning of year	177,496
Cash and cash equivalents at end of year	\$ 4,110,684

See notes to financial statements.

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 1 - Nature of operations

First Tryon Securities, LLC (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company's purpose of operations is to engage as a broker-dealer on a fully disclosed basis in the purchase and sale of fixed income securities primarily with other brokers, dealers and financial institutions. The Company was approved by the National Association of Securities Dealers to initiate trading operations as of October 21, 1996.

First Tryon Securities, LLC is a North Carolina limited liability company, organized on September 1, 1996 and currently operating under the fifth amended and restated operating agreement dated January 1, 2005. The Company shall continue until it is set to expire on December 31, 2046. Members are not ultimately liable for any debts, liabilities or obligations of the Company, losses of capital or losses of profits solely for acting as an equity owner and not beyond the respective capital contributions of each member. Withdrawing members' ownership interests are transferable, with no management rights, upon the lapse of the term for the Company's option to purchase same ownership interests. Ownership interests are transferable in accordance with the terms of the operating agreement.

Note 2 - Summary of significant accounting policies**Cash equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Securities owned

Marketable securities consist of fixed income securities and are valued at quoted market values. If a quoted market value is not available, market value is determined using quoted market prices for similar investment securities. Security transactions and any related gains or losses are recognized on the trade date. Cost is determined by the average cost method for the purpose of computing realized gains or losses on investment securities. Changes in the fair value from one reporting period to the next (unrealized gains and losses) are recorded as trading revenue in the accompanying statements of income.

Property and equipment

Furniture, equipment, and leasehold improvements are carried at cost. Depreciation is charged to operations over the estimated useful lives of the assets using principally the 200% declining balance method for furniture and equipment and the straight line method for leasehold improvements. The costs of maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed as incurred. The cost and accumulated depreciation and amortization of property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the determination of net income.

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 2 - Summary of significant accounting policies (continued)**Use of estimates in the preparation of financial statements**

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.

Income taxes

Limited liability corporations are essentially taxed as partnerships, with the net income or loss flowing through to the members' individual income tax returns. Accordingly, no provision for income taxes is reflected on the Company's financial statements.

In July 2006, Financial Accounting Standards Board Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes*, was issued and interprets Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109 by prescribing 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 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

FASB Staff Position (FSP) 48-3 defers the effective date of FIN No. 48 for certain non-public enterprises until fiscal years beginning after December 15, 2008. The Company has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48, the Company will continue to evaluate whether uncertain tax positions exist utilizing the underlying principals of SFAS 109. At this time, the Company does not expect the impact of FIN No. 48 to be material to its financial statements.

Allocations and distributions to Members

Allocation of income, losses and distributions of cash are made to the members in accordance with terms of the operating agreement and amendments entered into by the members. The allocations are based on the members' ownership interests.

Note 3 - Clearing broker and related receivable

The Company currently has a clearing agreement with JP Morgan Clearing Corp. ("J.P. Morgan"), formerly Bear Stearns Securities Corp., to clear all trade transactions. The Company is required to maintain a cash deposit of \$100,000 with J.P. Morgan in accordance with the terms of the clearing agreement.

Accounts maintained with J.P. Morgan are composed of funds to settle securities traded, not yet settled and proceeds from all trade transactions. The funds in these accounts are available for the daily trading transactions initiated by the Company that are cleared through J.P. Morgan. The accounts are also used by the Company to transfer funds to bank accounts for the administrative operations of the Company.

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 3 - Clearing broker and related receivable (continued)

The Company has various margin accounts with J.P. Morgan and has a net receivable in these accounts as of December 31, 2008 of \$3,224,431. Securities owned by the Company are pledged as collateral for any outstanding payables, which accrue interest at a variable rate determined as described in the clearing agreement. Interest expense on the margin accounts for the year ended December 31, 2008 was \$502,192. The amount of margin available to the Company is based on the requirements of J.P. Morgan. If the fair value of margin securities decreases to the extent the amount of margin available is less than the amount available, a margin call would occur. As a result, the Company would be required to either pay cash or liquidate securities to the extent needed to be compliant with contractual parameters. The amount of unused margin as of December 31, 2008 was approximately \$3,898,737.

Note 4 - Marketable securities owned and securities sold, not yet purchased

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 requires fair value measurements to be separately disclosed by level within the fair value hierarchy. Under SFAS No. 157, the Company bases fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For assets and liabilities recorded at fair value, it is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in SFAS No. 157.

Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

The Company utilizes fair value measurements to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis.

Under SFAS No. 157, the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 4 - Marketable securities owned and securities sold, not yet purchased (continued)

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 securities include U. S. Government agency obligations, corporate bonds and municipal bonds.

Level 2 — Valuations are obtained from readily available pricing sources via independent providers for market transactions involving similar assets or liabilities. The Company's principal market for these securities is the secondary institutional markets and valuations are based on observable market data in those markets. Level 2 securities include U. S. Government agency obligations, corporate bonds and municipal bonds.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The Company has no Level 3 assets or liabilities at December 31, 2008.

Marketable securities owned and securities sold, not yet purchased, at December 31, 2008 consist of the following:

Marketable securities owned at market value:

Description	12/31/2008	Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
State and municipal obligations	\$ 2,010,372	\$ 1,443,278	\$ 567,094
Corporate bonds, debentures and notes	9,045,298	2,002,248	7,043,050
Foreign bonds	147,000	-	147,000
	<u>\$ 11,202,670</u>	<u>\$ 3,445,526</u>	<u>\$ 7,757,144</u>

Securities sold, not yet purchased, at market value:

Description	12/31/2008	Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Obligations of U.S. government agencies	\$ 987,929	\$ -	\$ 987,929
Corporate bonds, debentures and notes	5,946,078	4,167,794	1,778,284
	<u>\$ 6,934,007</u>	<u>\$ 4,167,794</u>	<u>\$ 2,766,213</u>

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 4 - Marketable securities owned and securities sold, not yet purchased (continued)

During the normal course of business, the Company may sell fixed income securities not yet purchased. Since the Company will eventually purchase these securities at prevailing market prices, a risk exists due to the nature of fluctuating market prices for the securities.

Note 5 - Property and equipment

Property and equipment as of December 31, 2008 is summarized as follows:

Furniture and equipment	\$ 243,232
Software	11,020
Leasehold Improvements	<u>256,231</u>
	510,483
Less: accumulated depreciation and amortization	<u>217,332</u>
	<u>\$ 293,151</u>

Depreciation and amortization expense for the year ended December 31, 2008 was \$65,886.

Note 6 - Line of Credit

The Company has an operating line of credit with a bank with an approved maximum borrowing limit of \$1,000,000. Interest is due monthly at prime (3.25% at December 31, 2008) with a minimum floor of 4.0%. As of December 31, 2008 there were no outstanding amounts due under the line of credit. The line of credit expires on March 24, 2009. The line of credit agreement contains a minimal net capital covenant.

Note 7 - Capital requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital of \$100,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The net capital and net capital ratio, which agree with the Company's Focus Report as of December 31, 2008 is as follows:

	<u>2008</u>
Net capital	\$ 9,257,882
Net capital ratio (ratio of indebtedness to capital)	0.14 to 1

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 8 - Part I, Form X-17a-5:

The most recent annual report of the Company is available for examination and copying at the office of the Company and at the Atlanta Regional Office of the Securities and Exchange Commission.

Note 9 - 401(k) Profit sharing plan

Effective June 15, 2000, the Company adopted its 401(k) profit sharing plan available to all employees. Participants can contribute up to 15% of their compensation and the Company may make a discretionary contribution equal to the lesser of 6% of eligible compensation or the amount deferred. The Company recognized net expense of \$22,099 related to the 401(k) profit sharing plan for the year ended December 31, 2008.

Note 10 - Supplemental cash flow information

Amounts paid for interest totaled \$509,203 during 2008.

Note 11 - Operating lease

The Company leases office space from its majority member under a ten-year operating lease. Rent expense under this lease, as amended effective October 1, 2007, for the year ended December 31, 2008 was \$119,546. Future minimum lease payments at December 31, 2008 are as follows:

2009	\$ 118,404
2010	118,404
2011	118,404
2012	118,404
2013	118,404
2014 and thereafter	296,010

Note 12 - Related party transactions

In addition to the leasing arrangement discussed in Note 11, the Company also performed standard accounting services for the majority member. The Company was paid \$18,000 for the services rendered.

Note 13 - Concentrations of credit risk and other business concentrations

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the security. The Company evaluates the financial condition and creditworthiness of a counterparty before making a decision to conduct business with that counterparty and on an on-going periodic basis.

FIRST TRYON SECURITIES, LLC

Notes to Financial Statements
December 31, 2008

Note 13 - Concentrations of credit risk and other business concentrations (continued)

Additionally, the Company places its cash and cash equivalents on deposit with North Carolina financial institutions and with J.P. Morgan. During 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased the coverage on substantially all depository accounts to \$250,000 and for certain qualifying and participating non-interest bearing transaction accounts the coverage is unlimited. The increase in coverage is scheduled to expire on December 31, 2009, at which time the amounts insured by the FDIC will return to \$100,000. During 2008, the Company had amounts on deposit which exceeded these insured limits and, as of December 31, 2008, had \$2,458,512 in excess of the insured limits. The balances with J.P. Morgan are not insured.

ACCOMPANYING INFORMATION



**Report of Independent Auditors
on Accompanying Information**

The Members
First Tryon Securities, L.L.C.
Charlotte, North Carolina

We have audited the accompanying financial statements of First Tryon Securities, L.L.C. as of and for the year ended December 31, 2008, and have issued our report thereon dated February 13, 2009. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on pages fifteen and sixteen 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 and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits 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.

Cherry, Bekaert & Holland, L.L.P.

Charlotte, North Carolina
February 13, 2009

FIRST TRYON SECURITIES, LLC

Computation of Net Capital and Net Capital Ratio

Rule 15c3-1

		Year Ended December 31, 2008
		<u> </u>
Members' Capital		\$ 10,768,237
Less:		
Property and equipment, net of accumulated depreciation accumulated depreciation	\$ 293,151	
Specified percentage reduction in market value of securities in Company trading and investment accounts	1,155,982	
Other nonallowable assets	<u>61,222</u>	<u>1,510,355</u>
Net capital		\$ <u>9,257,882</u>
Aggregate indebtedness		\$ <u>1,271,786</u>
Ratio of indebtedness to capital		<u>0.14 to 1</u>

FIRST TRYON SECURITIES, L.L.C.

Material Inadequacies - Rule 17a-5(j)

Year ended December 31, 2008

Material Inadequacy

Corrective Action Taken or Proposed

None

Not applicable



Report on Internal Control Required by SEC Rule 17a-5

The Members

First Tryon Securities, L.L.C.
Charlotte, North Carolina

In planning and performing our audits of the financial statements of First Tryon Securities, L.L.C. (the "Company") for the year ended December 31, 2008, we considered its internal control, including control activities 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) of the Securities and Exchange Commission (the "Commission"), 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 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 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 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 Commission'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 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, errors 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 a 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 financials 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 previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities 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 December 31, 2008, to meet the Commission's objectives.

This report is intended solely for the use of the Company's member-managers, the Securities and Exchange Commission, 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.

Cherry, Bekaert & Holland, L.L.P.

Charlotte, North Carolina
February 13, 2009