

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

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

SEC FILE NUMBER  
8- 37169

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: Highlander Capital Group, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

119 Littleton Road

(No. and Street)

Parsippany

New Jersey

07054

(City)

(State)

(Zip Code)

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

Douglas A. MacWright

973-402-2700

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Friend, Gary Benjamin

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

31 Middleton Road

Savannah

Georgia

31411

(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

FEB 27 2009

Washington, DC  
111

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

SEC 1410 (06-02)

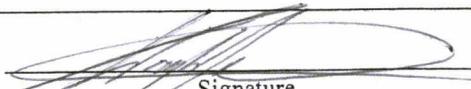
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AB  
3/17

OATH OR AFFIRMATION

I, Douglas A. MacWright, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Highlander Capital Group, Inc., as of February 26, 2009, 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 and CEO  
Title

Frances A. Frazzano  
Notary Public - State of New Jersey  
My commission expires May 10, 2012

  
Notary Public

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).

**HIGHLANDER CAPITAL GROUP, INC.**

Financial Statements

and

Auditor's Report

December 31, 2008

**GARY B. FRIEND**  
CERTIFIED PUBLIC ACCOUNTANT  
31 Middleton Road  
Savannah, GA 31411  
912-598-9335  
Fax 912-598-9336

800-238-8893  
Fax 800-238-8886

New Jersey Office  
411 Evergreen Blvd.  
Scotch Plains, NJ 07076

Report of Independent Public Accountant

To the Board of Directors and Stockholders of  
Highlander Capital Group, Inc.

I have audited the accompanying statement of financial condition of Highlander Capital Group, Inc. (a New Jersey corporation and 50% subsidiary of ABSCO Ltd. Corp.) as of December 31, 2008 and the related statements of operations, 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 and the schedules referred to below are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements and schedules based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highlander Capital Group, Inc. as of December 31, 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



February 10, 2009

**HIGHLANDER CAPITAL GROUP, INC.**  
Statement of Financial Condition  
December 31, 2008

**ASSETS**

Cash	\$ 89,974
Receivable From Clearing Broker (Note 3)	116,360
Securities Owned, at Market Value (Note 1)	-
Deposits with Clearing Broker (Note 3)	100,000
Furniture and Equipment, at Cost, Less Accumulated Depreciation of \$ 308,663 (Note 1)	19,355
Other Assets (Note 8)	<u>125,775</u>
Total Assets	\$ <u>451,464</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities:

Accounts Payable and Accrued Expenses	\$ <u>34,937</u>	
Total Liabilities		\$ 34,937

Stockholders' Equity:

Common Stock, Class A voting, no par value, 1,000 shares authorized and issued, 160 shares outstanding	1,600	
Common Stock, Class B nonvoting, no par value, 900 shares authorized, none issued or outstanding	-	
Additional Paid-in Capital	939,399	
Accumulated Deficit	<u>(524,472)</u>	
Total Stockholders' Equity		<u>416,527</u>
Total Liabilities and Stockholders' Equity		\$ <u>451,464</u>

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

**HIGHLANDER CAPITAL GROUP, INC.**

Statement of Operations

For the Year Ended December 31, 2008

Revenues:

Trading income	\$ 203,383
Commissions	860,142
Interest and dividends	23,963
Other	<u>10,600</u>

Total Revenues \$ 1,098,088

Expenses:

Clearing and floor brokerage	4,327
Commissions	17,334
Employee compensation and benefits	776,810
Communications	65,991
Occupancy costs	89,340
Regulatory fees	17,120
Depreciation	5,839
Other	<u>115,253</u>

Total Expenses 1,092,014

Income Before Provision for Income Taxes 6,074

Provision for Income Taxes:

Federal	2,200
State	<u>2,080</u>

Total Provision for Income Taxes 4,280

Net Income \$ 1,794

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

GARY B. FRIEND

**HIGHLANDER CAPITAL GROUP, INC.**  
Statement of Changes in Stockholders' Equity  
For the Year Ended December 31, 2008

	Common <u>Stock</u>	Additional Paid-In <u>Capital</u>	Accumulated <u>Deficit</u>	<u>Total</u>
Balance, Beginning of Year	\$ 1,600	\$ 939,399	\$ (526,266)	\$ 414,733
Net Income	-	-	1,794	1,794
Distribution to Stockholders	-	-	-	-
Balance, End of Year	\$ <u>1,600</u>	\$ <u>939,399</u>	\$ <u>(524,472)</u>	\$ <u>416,527</u>

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

GARY B. FRIEND

**HIGHLANDER CAPITAL GROUP, INC.**

Statement of Cash Flows

For the Year Ended December 31, 2008

Cash Flows from Operating Activities:		
Net income	\$ 1,794	
Adjustments to reconcile net income to net cash Provided by (used in) operating activities:		
Depreciation	5,839	
(Increase) decrease in operating assets:		
Other assets	(12,015)	
Increase (decrease) in operating liabilities:		
Payable to clearing brokers	3,416	
Accounts payable and accrued expenses	<u>(6,337)</u>	
Net Cash Provided by Operating Activities		\$ <u>(7,303)</u>
Net Cash Provided (Used) by Investing Activities		
Purchase of furniture and equipment		<u>(2,243)</u>
Net Cash Provided by Financing Activities		<u>-</u>
Net Increase (Decrease) in Cash		(9,546)
Cash, Beginning of Year		<u>99,520</u>
Cash, End of Year		\$ <u>89,974</u>
Supplemental Disclosures:		
Cash paid during the period for:		
Interest		\$ <u>-</u>
Taxes		\$ <u>2,080</u>

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

## HIGHLANDER CAPITAL GROUP, INC.

Notes to Financial Statements

December 31, 2008

### 1. Organization and Significant Accounting Principles

#### Organization

Highlander Capital Group, Inc, (the "Company"), formerly FIA Capital Group, Inc., is a registered broker-dealer under the Securities Exchange Act of 1934. The Company is 50% owned by ABSCO Ltd. Corp. ("ABSCO"), 37 1/2% owned by its president both directly and through an LLC and 12 1/2% owned by another unrelated individual. The Company is a securities broker-dealer and is a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investor Protection Corporation ("SIPC"). The Company does not carry customer accounts and accordingly is exempt from the Securities and Exchange Commission's Rule 15c-3-3 (the customer protection rule) pursuant to provision K(2)(ii) of such rule.

#### Nature of Operations

The Company has offices in Parsippany, New Jersey. The two primary sources of income are proprietary trading on the Company's behalf, and commissions earned from retail trading. Management believes that the Company does not have any concentrations of individual securities or reliance on individual retail customers where a loss in value or business would have a material impact on the financial condition of the Company.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

#### Securities Owned

Securities owned and securities sold but not yet purchased, are stated at market value and are recorded on a trade date basis. Unrealized gains and losses are included in trading income.

#### Commissions

Commission revenues and expenses are recorded when earned on a trade date basis.

**HIGHLANDER CAPITAL GROUP, INC.**  
Notes to Financial Statements - Continued  
December 31, 2008

1. Organization and Significant Accounting Principles - Continued

Depreciation

Depreciation of furniture and equipment is provided based on the estimated 5-7 year useful lives of the assets using the MACRS method.

2. Income Taxes

The Company has \$ 876,000 of state net operating losses available to reduce future state income taxes.

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

3. Clearance Agreement

The Company has a clearance agreement (the "Agreement") with the Pershing LLC a Subsidiary of The Bank of New York ("Pershing") dated January 28, 1991. Pershing is a member of various stock exchanges and is subject to the rules and regulations of such organizations as well as those of the Securities and Exchange Commission. Under the terms of the Agreement, Pershing clears the brokerage transactions of the Company's customers on a fully disclosed basis. The Agreement states that the Company will assume customer obligations should a customer of the Company default.

Receivable from the clearing broker includes amounts due on proprietary unsettled cash and margin transactions and commissions earned.

4. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1. This rule requires that net capital, as defined, shall be the greater of \$ 100,000 or 6 2/3% of aggregate indebtedness, as defined. As of December 31, 2008, the Company's ratio of aggregate indebtedness to net capital was 13.01 % and its net capital was \$ 268,550, which is \$ 168,550 in excess of its minimum net capital requirement of \$ 100,000.

## HIGHLANDER CAPITAL GROUP, INC.

Notes to Financial Statements - Continued

December 31, 2008

### 5. Retirement Plan

The Company maintains a qualified 401K-employee savings and retirement plan covering all employees aged 21 with one year and 1,000 hours of service. Participants may elect to defer 2-15% of their annual compensation and the company matches 50% of elective deferrals up to 6% of eligible compensation. For the year ended December 31, 2008 the Company's retirement plan expense totaled \$ 9,014.

### 6. Commitments

The Company currently leases office space from ABSCO under a month-to-month lease at \$ 7,445 per month. The annual amount payable by the Company under the operating lease is \$ 89,340 for 2008.

### 7. Off-Balance Sheet Risk and Concentration of Credit Risk

As an introducing broker, the Company enters into various debt and equity transactions. The execution of these transactions may result in off-balance sheet risk or concentration of credit risk. Pursuant to its agreement with Pershing, the Company is liable for amounts uncollected from customers introduced by the Company.

The Company records securities transactions on a trade date basis and also executes, settles and finances certain equity transactions as principal, which exposes it to off-balance sheet risk of loss on unsettled securities transactions in the event counter parties are unable to fulfill contractual obligations.

The Company may also be exposed to a risk of loss not reflected on the accompanying statements of financial condition of securities sold, but not yet purchased, should the value of such securities increase.

**HIGHLANDER CAPITAL GROUP, INC.**

Notes to Financial Statements

December 31, 2008

8. Business Acquisitions/Related Parties

In June 2006 the Company acquired an 80% interest in Highlander Realty Advisers, LLC for an aggregate purchase price of \$ 40,000. The acquisition was recorded as a purchase and accordingly, the purchase price was allocated to the assets acquired based upon the estimated fair value as of the purchase date. During 2008 the Company received \$ 4,600 of fees from Highlander Realty Advisers, LLC all of which is reflected in other income.

In August 2007 the Company through Highlander Realty Advisors LLC acquired a minority ownership interest in Greenway Partners-Raleigh, LLC, a Delaware limited liability company for an aggregate purchase price of \$ 60,000. Greenway Partners-Raleigh, LLC, owns and operates three shopping centers in North Carolina. The acquisition was recorded as a purchase and accordingly, the purchase price was allocated to the assets acquired based upon the estimated fair value as of the purchase date.

In December 2007 the Company acquired a 20% interest in Highlander Futures Management LLC, a New Jersey limited liability company for an aggregate purchase price of \$ 10,000. Highlander Futures Management LLC is largely controlled by the president of Highlander Capital Group Inc. and will be involved in equity and options investing. The acquisition was recorded as a purchase and accordingly, the purchase price was allocated to the assets acquired based upon the estimated fair value as of the purchase date.

At December 31, 2008 all of the above acquisitions are included in other assets.

## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Highlander Capital Group, Inc**

as of Dec. 31, 2008

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	416,527	3480
2. Deduct ownership equity not allowable for Net Capital .....	19	( )	3490
3. Total ownership equity qualified for Net Capital .....		416,527	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....			3520
B. Other (deductions) or allowable credits (List) .....			3525
5. Total capital and allowable subordinated liabilities .....	\$	416,527	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C) .....	17	\$ 145,130	3540
B. Secured demand note delinquency .....			3590
C. Commodity futures contracts and spot commodities – proprietary capital charges .....			3600
D. Other deductions and/or charges .....			3610
7. Other additions and/or allowable credits (List) .....		( 145,130 )	3620
8. Net capital before haircuts on securities positions .....	20	\$ 271,397	3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments .....	\$		3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....	18		3735
2. Debt securities .....			3733
3. Options .....			3730
4. Other securities .....		2,847	3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
		2,847	3740
10. Net Capital .....	\$	268,550	3750

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## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Highlander Capital Group, Inc**

as of Dec. 31, 2008

### COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$	2,329	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	100,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	100,000	3760
14. Excess net capital (line 10 less 13) .....	\$	168,550	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	265,056	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	34,937	3790
17. Add:			
A. Drafts for immediate credit .....	\$	3800	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	3810
C. Other unrecorded amounts (List) .....	\$	3820	3820
18. Total aggregate indebtedness .....	\$	34,937	3840
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	%	13.01	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%		3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	N/A	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	N/A	3880
23. Net capital requirement (greater of line 21 or 22) .....	\$	N/A	3760
24. Excess capital (line 10 less 23) .....	\$	N/A	3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000 .....	\$	N/A	3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**HIGHLANDER CAPITAL GROUP, INC.**  
Schedule of Nonallowable Assets  
December 31, 2008

**DESCRIPTION**

Furniture and Equipment Net of Accumulated Depreciation	\$ 19,355	
Prepaid Expenses	15,775	
Investment in Affiliated LLCs	<u>110,000</u>	
Total		\$ <u>145,130</u>

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

**HIGHLANDER CAPITAL GROUP, INC.**

Note to Supplementary Schedules

December 31, 2008

The difference of \$ 2,200 between the audited computation of net capital of \$ 268,550 included in this report and the company's computation of net capital of \$ 270,750 included in Part IIA (unaudited) of its December 31, 2008 Focus Report filed on January 15, 2009 relates to an audit adjustment to record federal income taxes payable.

## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER Highlander Capital Group, Inc.as of Dec. 31, 2008

### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 .....	4550
B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....	4560
C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm: <u>Pershing LLC Sub. of The Bank of New York Mellon</u> <sup>4335</sup>	4570
D. (k)(3) — Exempted by order of the Commission (include copy of letter) .....	4580

### Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
31 <span style="float: right; border: 1px solid black; padding: 2px;">4600</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4601</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4602</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4603</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4604</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4605</span>
32 <span style="float: right; border: 1px solid black; padding: 2px;">4610</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4611</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4612</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4613</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4614</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4615</span>
33 <span style="float: right; border: 1px solid black; padding: 2px;">4620</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4621</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4622</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4623</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4624</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4625</span>
34 <span style="float: right; border: 1px solid black; padding: 2px;">4630</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4631</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4632</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4633</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4634</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4635</span>
35 <span style="float: right; border: 1px solid black; padding: 2px;">4640</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4641</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4642</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4643</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4644</span>	<span style="float: right; border: 1px solid black; padding: 2px;">4645</span>
			Total \$ <sup>36</sup> <span style="border: 1px solid black; padding: 2px;">4699</span>		

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Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

**GARY B. FRIEND**  
CERTIFIED PUBLIC ACCOUNTANT  
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New Jersey Office  
411 Evergreen Blvd.  
Scotch Plains, NJ 07076

To the Board of Directors and Stockholders of  
Highlander Capital Group, Inc.

In planning and performing my audit of the financial statements of Highlander Capital Group, Inc. (the "Company") for the year ended December 31, 2008, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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, I have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that I 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. I did not review the practices and procedures followed by the Company, (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) in 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; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or 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.

My consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control, including control activities for safeguarding securities that I consider to be material weaknesses as defined above.

I 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 my consideration of the internal control, I 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 management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. 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 should not be used for any other purpose.

A handwritten signature in black ink, reading "Gary Friend". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

February 10, 2009