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| [illegible]res: | February 28, 2010 |
| [illegible]nated average burden | |
| hours per response...... | 12.00 |

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

| SEC FILE NUMBER |
|---|
| 8-67289 |

**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: NorthPoint Trading Partners, LLC

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

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

4555 Mansell Road, Suite 140
(No. and Street)

Alpharetta (City) GA (State) 30022 (Zip Code)

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

Trish Woodham 678-405-4200
(Area Code – Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Gifford Hillegass & Ingwersen LLP
(Name – *if individual, state last, first, middle name*)

1200 Ashwood Parkway Suite 300 (Address) Atlanta (City) GA (State) 30338 (Zip Code)

**CHECK ONE:**

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

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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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## OATH OR AFFIRMATION

I, Douglas Nelson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NorthPoint Trading Partners LLC, as of December 31, 20 08, 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:

OnPoint Capital, Douglas Nelson IRA, Stacey Nelson IRA, Nicholas DeJarnette IRA Shannon DeJarnette IRA Michael DeJarnette, Douglas & Stacey Nelson JTIC

Signature

CEO

Title

PATRICIA WOODHAM
NOTARY PUBLIC
CHEROKEE COUNTY, GEORGIA
My Commission Expires 06-21-2012

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).*

# NORTHPOINT TRADING PARTNERS, LLC

## FINANCIAL STATEMENTS

**December 31, 2008**

**with**
**Independent Auditors' Report**

Gifford Hillegass & Ingwersen, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Where it all comes down to worth.

# NORTHPOINT TRADING PARTNERS, LLC

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**December 31, 2008**

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Gifford Hillegass & Ingwersen, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Where it all comes down to worth.

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
NorthPoint Trading Partners, LLC
Atlanta, Georgia

We have audited the accompanying statement of financial condition of NorthPoint Trading Partners, LLC as of December 31, 2008, and the related statements of operations, members' 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 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NorthPoint Trading Partners, LLC as of December 31, 2008, and results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the supplementary 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. This 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.

Gifford, Hillegass & Ingwersen, LLP

GIFFORD, HILLEGASS & INGWERSEN, LLP

February 25, 2009
Atlanta, Georgia

1200 Ashwood Parkway, Suite 300
Atlanta, GA 30338-4747
Tel (770) 396-1100 • Fax (770) 393-0319
www.ghi-cpa.com

# NORTHPOINT TRADING PARTNERS, LLC

## STATEMENT OF FINANCIAL CONDITION

### December 31, 2008

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash | $ | 50,713 |
| Deposits with clearing organizations | | 1,288,140 |
| Prepaid expenses | | 8,649 |
| Due from broker | | 54,117 |
| Property and equipment, net | | 9,188 |
| Other assets | | 4,153 |
| **TOTAL ASSETS** | $ | 1,414,960 |
| | | |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ | 156,507 |
| **Commitments (Note D)** | | |
| **Members' Equity** | | 1,258,453 |
| **TOTAL LIABILITIES AND MEMBERS' EQUITY** | $ | 1,414,960 |

*See accompanying notes.*

# NORTHPOINT TRADING PARTNERS, LLC

## STATEMENT OF OPERATIONS

### For the Year Ended December 31, 2008

| | |
|---|---|
| **REVENUES** | |
| Commissions | $ 7,222,430 |
| Interest income | 1,213,925 |
| Other income | 255,885 |
| TOTAL REVENUES | 8,692,240 |
| **EXPENSES** | |
| Employee compensation and benefits | 1,674,358 |
| Professional and management fees | 3,501,321 |
| Clearing charges | 1,850,963 |
| Regulatory fees | 27,328 |
| Rent expense | 41,474 |
| Selling expenses | 120,097 |
| Interest expense | 4,864 |
| Other expenses | 981,593 |
| TOTAL EXPENSES | 8,201,998 |
| **NET INCOME** | $ 490,242 |

*See accompanying notes.*

# NORTHPOINT TRADING PARTNERS, LLC

## STATEMENT OF MEMBERS' EQUITY

### For the Year Ended December 31, 2008

| | |
|---|---|
| **Balance at December 31, 2007** | $ 457,278 |
| Capital distributions | (500,000) |
| Capital contributions | 800,000 |
| Stock options issued | 10,933 |
| Net income for the year | 490,242 |
| **Balance at December 31, 2008** | $ 1,258,453 |

*See accompanying notes.*

# NORTHPOINT TRADING PARTNERS, LLC

## STATEMENT OF CASH FLOWS

### For the Year Ended December 31, 2008

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net income | $ | 490,242 |
| Adjustments to reconcile net income to net cash used in by operating activities | | |
| Depreciation and amortization | | 4,815 |
| Stock option expense | | 10,933 |
| Changes in operating assets and liabilities: | | |
| Deposits with clearing organizations | | (1,169,533) |
| Due from broker | | 242,897 |
| Prepaid expenses | | (3,189) |
| Other assets | | (750) |
| Accounts payable and accrued expenses | | 11,355 |
| **Net Cash Used in Operating Activities** | | (413,230) |
| **Cash Flows from Investing Activities** | | |
| Property and equipment purchases | | (714) |
| **Net Cash Used In Investing Activities** | | (714) |
| **Cash Flows from Financing Activities** | | |
| Capital contributions | | 800,000 |
| Capital distributions | | (500,000) |
| **Net Cash Provided by Financing Activities** | | 300,000 |
| **Net Decrease in Cash** | | (113,944) |
| **Cash at the Beginning of Year** | | 164,657 |
| **Cash at the End of Year** | $ | 50,713 |
| **Supplemental Cash Flow Disclosures** | | |
| Cash paid for interest | $ | 4,864 |

*See accompanying notes.*

# NORTHPOINT TRADING PARTNERS, LLC

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2008**

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Organization and Business: NorthPoint Trading Partners, LLC (the "Company") was organized in Georgia effective January 1, 2006. The Company began operations in July 2006. The Company is a registered broker-dealer under the Securities Exchange Act of 1934.

The Company has authorized 11,500,000 membership units of which 10,000,000 are issued and outstanding. In connection with the Company's initial capitalization, 100,000 unit options with a $0.01 strike price were issued. The options expire on August 29, 2016.

Revenue Recognition: Commissions and related clearing charges are recorded on a trade-date basis as securities transactions occur.

Soft Dollar Agreements: The Company ensures that any soft dollar arrangements with customers falls within the safe harbor provisions of Rule 28(e) of the Securities Exchange Act of 1934, as amended, which provides for the payment of research, brokerage, quote services and other expenses permissible by agreement. Revenue and related costs associated with soft dollar arrangements are included in commissions and clearing charges, respectively, on the statement of operations.

Deposits with Clearing Organization: The Company uses Goldman Sachs Execution and Clearing, LP and Jeffries & Company, Inc. as clearing organizations for all trading activities. Deposits with clearing organizations represents cash and money market funds on deposit at the end of the year.

Income Taxes: Members are required to report their share of the Company's income or loss in their individual income tax returns. Therefore, no provision has been made for federal or state income taxes.

Use of Estimates: 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Stock-Based Compensation: In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123R eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed in Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and requires instead that such transactions be accounted for using a fair-value-based method.

Unit Options awarded under the Company's Unit Option Plan will be accounted for in accordance with SFAS No. 123R and the Company will amortize stock-based compensation on a straight-line basis over the requisite service (vesting) period.

Cash and Cash Equivalents: For the purpose of reporting cash flows, the Company considers all demand notes and short-term investments with maturities of three months or less to be cash equivalents. The Company periodically maintains balances with banks in excess of federally insured limits. Management believes the exposure to loss from such balances to be minimal.

Credit Risk: The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of deposits with Goldman Execution and Clearing LP and Jeffries & Company, Inc., the clearing brokers. Goldman Sachs Trust and Jeffries are not insured by the FDIC or any other bank regulator.

Property and Equipment: Property and equipment consists of computer equipment that is stated at cost and is depreciated using accelerated methods over their estimated useful lives of three years. The Company capitalizes all expenditures for property and equipment in excess of $1,000.

Fair Values of Financial Instruments: The Company estimates that the fair value of all financial instruments (primarily receivables and payables) at December 31, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial condition.

# NORTHPOINT TRADING PARTNERS, LLC

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2008**

### NOTE B—EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit sharing retirement plan for the benefit of substantially all employees as further described in the plan document. Participants may contribute a percentage of their compensation to the plan. The Company did not make a profit sharing contribution during 2008.

### NOTE C—RELATED PARTY TRANSACTIONS

The Company clears investment transactions for a fund owned by its majority member. During 2008 related commission income of approximately $4,000 was recognized.

### NOTE D—COMMITMENTS

The Company entered operating leases for office space and equipment. Total future minimum lease payments are as follows:

| Year ending December 31, | Office | Equipment |
|---|---|---|
| 2009 | $ 20,600 | $ 1,106 |
| 2010 | - | 1,106 |
| 2011 | - | 1,106 |
| 2012 | - | 276 |

Total rent expense included several month to month leases and amounted to $41,474 for 2008.

### NOTE E—NET CAPITAL REQUIREMENT

The Company, as a registered broker-dealer in securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). The Company has elected to operate under that portion of the Rule which requires that the Company maintain "net capital" equal to the greater of $100,000 or $6^2/_3$% of "aggregate indebtedness," as those terms are defined in the Rule.

## NOTE F—UNIT OPTIONS

Unit Option Plan: In 2006 the Board of Directors of the Company authorized the NorthPoint Trading Partners, LLC 2006 Unit Option Plan. The exercise price of each unit option is equal to the market price of the Company's units on the date of grant. Unit options granted to employees expire after a period of 10 years from grant date or 15 days from the date of the employee's termination. All unit options vest at the end of five years of continuous service. As of December 31, 2008, 1,500,000 units have been authorized for issuance in total.

The Company utilized the Black-Scholes valuation model for estimating the fair value of the unit options granted with the following weighted average assumptions.

| | |
|---|---|
| Risk-free interest rate | 1.65% |
| Expected life in years | 5.5 |
| Expected volatility | 63.14% |
| Expected dividend yield | 8% |

There is no active external or internal market for the Company's units. Thus, it was not possible to estimate the expected volatility of the Company's unit price in estimating the fair value of options granted during 2008. Accordingly, as a substitute for volatility, the Company used the historical volatility of the Dow Jones – Financial Services Titans 30 index, representing the primary industry in which the Company operates.

The dividend yield of 8% is based on the fact that the Company has paid cash dividends historically and has no reason to believe that they would not continue to pay dividends at approximately the same rate over the estimated life of the unit options. The risk-free interest rate is derived from the U.S. Federal Reserve rate in effect at the time of grant. The expected life calculation is based on the shortcut method as allowed under SFAS 123R as there is not enough historical information regarding the Company's employees' exercise patterns.

Based on the Company's historical experience of options that cancel before becoming fully vested, the Company has assumed an annualized forfeiture rate of 0% for all employee options. Under the true-up provision of SFAS 123R, the Company will record a recovery of prior expense if the actual forfeiture rate is higher than estimated.

## NOTE F—UNIT OPTIONS—Continued

The weighted average estimated fair value of the options granted for the year ended December 31, 2008 was $0.43. Total compensation cost of options granted but not yet vested, as of December 31, 2008 was approximately $63,000 adjusted for forfeitures which is expected to be recognized over the weighted average period of 2.32 years. Total compensation expense recognized by the Company under SFAS No.123R for the year ended December 31, 2008 was $10,932.

The stock option activity for 2008 is summarized below:

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| **Balance at December 31, 2007** | 660,000 | $ .29 |
| Granted | 125,000 | 1.42 |
| Exercised | - | - |
| Forfeited or expired | - | - |
| **Balance at December 31, 2008** | 785,000 | .47 |

At December 31, 2008 715,000 shares remained available for future grant under the Plan.

Additional information regarding options outstanding as of December 31, 2008, is as follows:

| Exercise Price Per share | Number Outstanding | Weighted average contractual life remaining (years) | Number Exercisable | Weighted average exercise price of exercisable options |
|---|---|---|---|---|
| $0.25 | 560,000 | 7.68 | - | $0.25 |
| $0.50 | 110,000 | 8.98 | - | $0.50 |
| $1.50 | 115,000 | 9.99 | - | $1.50 |
| | 785,000 | | - | |

# SUPPLEMENTAL INFORMATION

# NORTHPOINT TRADING PARTNERS, LLC
## Schedule I
## COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

**December 31, 2008**

| | | |
|---|---|---|
| **Computation of Net Capital** | | |
| Total members' equity | $ | 1,258,453 |
| Deduct nonallowable assets | | |
| Prepaid expenses | | (8,649) |
| Property and equipment | | (9,188) |
| Other non-allowable assets | | (3,402) |
| Net capital before haircuts | | 1,237,214 |
| Deduct haircuts | | |
| Haircut on securities | | (15,453) |
| Net Capital | $ | 1,221,761 |
| **Computation of Aggregate Indebtedness** | | |
| Accounts payable and accrued expenses | $ | 156,507 |
| Total aggregate indebtedness | $ | 156,507 |
| **Computation of Minimum Net Capital Requirement** | | |
| Net capital | $ | 1,221,761 |
| Minimum net capital to be maintained (greater of $100,000 or 6 $^{2}/_{3}$% of total aggregate indebtedness of $156,507) | | 100,000 |
| Excess net capital | $ | 1,121,761 |

The $100,032 difference between net capital as computed by the Company on its FOCUS report for the quarter ended December 31, 2008 filed on January 20, 2009 and the audited financial statements at December 31, 2008 relates primarily to a payroll accrual adjustment.

# NORTHPOINT TRADING PARTNERS, LLC
## Schedule II
## OTHER INFORMATION

**December 31, 2008**

---

The following statements and computations are not applicable at December 31, 2008, and for the year then ended and, accordingly, are not included herein:

a) Statement of changes in liabilities subordinated to claims of creditors.

b) Computation for determination of the reserve requirements pursuant to Rule 15c3-3.

c) Information relating to the possession or control requirements under Rule 15c3-3.

d) Schedule of segregation requirements and funds in segregation for customers' regulated commodity futures and options accounts.

The Company qualifies for exemption of b) and c) above under subparagraph (k) (2) (ii) of Rule 15c3-3.

GH&I Gifford Hillegass & Ingwersen, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Where it all comes down to worth.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Board of Directors
NorthPoint Trading Partners, LLC

In planning and performing our audit of the financial statements and supplemental schedules of NorthPoint Trading Partners, LLC (the "Company") for the year ended December 31, 2008, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the 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. 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 (specifically subparagraph (k)(2)(ii). Because the Company does not carry security 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.

No facts came to our attention to indicate that the exemptions claimed had not been complied with during the year.

In addition, as required by Regulation 1.16 of the Commodity Futures Trading Commission (CFTC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding customer and firm assets. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Regulation 1.16, in making the periodic computations of minimum financial requirements pursuant to Regulation 1.17. Because the Company does not carry security

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accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making any of the following:

1. The daily computations of the segregation requirements of Section 4d(a)(2) of the commodity Exchange Act and the regulations thereunder, and the segregation of funds based on such computations.
2. The daily computations of the foreign futures and foreign options secured amount requirements pursuant to Regulations 30.7 of the CFTC.

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 and the CFTC'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 and 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 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. However, we identified the following deficiency in internal control that we consider to be a material weakness, as defined above. This condition was considered in determining the nature, timing and extent of the procedures performed in our audit of the financial statements of NorthPoint Trading Partners, LLC as of and for the year ended December 31, 2008, and this report does not affect our report thereon dated February 25, 2009. The Company estimates accruals rather than recording specific liabilities at the end of each month. Management is conservative in their estimates in order to ensure adequate net capital. Related audit adjustments netted to approximately a $100,000 reduction in liabilities. Management has now implemented a policy of recording specific liabilities rather than estimates at the end of each quarter.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC and CFTC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934, the Commodity Exchange Act, 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 and the CFTC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the CFTC and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 or Regulation 1.16 of the CFTC or both 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.

Gifford, Hillegass & Ingwersen, LLP

GIFFORD, HILLEGASS & INGWERSEN, LLP

February 25, 2009
Atlanta, Georgia