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

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

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

SEC FILE NUMBER  
8- 27440

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: Disalle Securities & Mortgage Company

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1909 River Road

(No. and Street)

Maumee

Ohio

43537

(City)

(State)

(Zip Code)

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

Daniel J. Disalle

419-893-0751

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

William Vaughan Company

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

145 Chesterfield Lane

Maumee

Ohio

43537

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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AND  
EXAMINATIONS

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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)

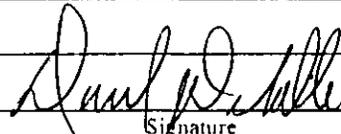
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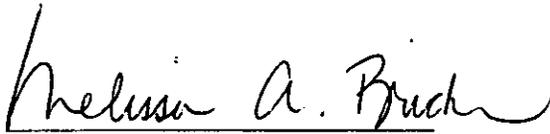
BB  
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OATH OR AFFIRMATION

I, Mr. Daniel J. Disalle, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Disalle Securities and Mortgage Company, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

  
Signature  
president  
Title

  
Notary Public

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).

MELISSA A. BRICKER  
NOTARY PUBLIC, STATE OF OHIO  
My Commission Expires 05-10-09

**DISALLE SECURITIES AND MORTGAGE CO.**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2008**

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William L. Vaughan, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
DiSalle Securities and Mortgage Co.  
Maumee, Ohio

We have audited the accompanying statements of financial condition of DiSalle Securities and Mortgage Co. as of December 31, 2008 and 2007, and the related statements of operations, changes in stockholder's equity and cash flows for the years 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 audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 DiSalle Securities and Mortgage Co. as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 13-16 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William Vaughan Company*

February 27, 2008

**DISALLE SECURITIES AND MORTGAGE CO.**  
**STATEMENTS OF FINANCIAL CONDITION**  
**December 31, 2008 and 2007**

**ASSETS**

	<b>2008</b>	<b>2007</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 807	\$ 882
Dividends receivable	378	16,610
Prepaid expenses	2,077	0
Total current assets	3,262	17,492
<b>Property and equipment</b>		
Computer equipment	933	933
Less accumulated depreciation	933	933
Net property and equipment	0	0
<b>Other assets</b>		
Marketable securities, at market value (Note 5 and 6)	311,906	948,935
Ohio workers' compensation deposit	12	12
Total other assets	311,918	948,947
Total assets	\$ 315,180	\$ 966,439

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>Current liabilities</b>		
Accrued city tax	\$ 31	\$ 31
Non-interest bearing obligation due to affiliated company (Note 2)	1,750	1,000
Total liabilities	1,781	1,031
<b>Stockholder's equity</b>		
Common stock, 500 shares authorized, stated value \$2 per share, 250 shares issued and outstanding	500	500
Amount paid in excess of stated value	255,875	255,875
Retained earnings	57,024	709,033
Total stockholder's equity	313,399	965,408
Total liabilities and stockholder's equity	\$ 315,180	\$ 966,439

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

**DISALLE SECURITIES AND MORTGAGE CO.**  
**STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31, 2008 and 2007**

	2008	2007
<b>Revenue</b>		
Commissions earned on private placement of direct participation programs (Note 2)	\$ 0	\$ 6,000
Unrealized loss on marketable securities	(637,028)	(596,096)
Realized gain on sale of marketable securities	0	35
Gain on NASD merger	0	35,000
Interest and dividend income	28,321	64,030
Total revenue	(608,707)	(491,031)
<b>Selling, general and administrative expenses</b>		
Commissions	0	3,300
Other operating expenses (Notes 2 and 4)	12,752	19,879
Total selling, general and administrative expenses	12,752	23,179
Net loss	\$ (621,459)	\$ (514,210)

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

**DISALLE SECURITIES AND MORTGAGE CO.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**For the Years Ended December 31, 2008 and 2007**

	<u>Common Stock</u>		<u>Amount Paid In Excess Of Stated Value</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>			
<b>Balances, December 31, 2006</b>	250	\$ 500	\$ 255,875	\$ 1,296,829	\$ 1,553,204
Net loss for the year ended December 31, 2007				(514,210)	(514,210)
Distributions to stockholder				(73,586)	(73,586)
<b>Balances, December 31, 2007</b>	250	500	255,875	709,033	965,408
Net loss for the year ended December 31, 2008				(621,459)	(621,459)
Distributions to stockholder				(30,550)	(30,550)
<b>Balances, December 31, 2008</b>	<u>250</u>	<u>\$ 500</u>	<u>\$ 255,875</u>	<u>\$ 57,024</u>	<u>\$ 313,399</u>

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

**DISALLE SECURITIES AND MORTGAGE CO.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (621,459)	\$ (514,210)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized loss on marketable securities	637,029	596,096
Realized gain on sale of marketable securities	0	(35)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Dividends receivable	16,232	(1,808)
Commissions receivable	0	45,000
Prepaid expenses	(2,077)	2,691
Increase (decrease) in:		
Commissions payable	0	(24,750)
Accrued city taxes	0	31
Net cash provided by operating activities	29,725	103,015
<b>Cash flow from investing activities</b>		
Proceeds from sale of marketable securities	0	35
Purchases of marketable securities - dividends re-invested	0	(30,462)
Net cash used in investing activities	0	(30,427)
<b>Cash flows from financing activities</b>		
Borrowings from affiliated company	750	1,000
Distributions to stockholder	(30,550)	(73,586)
Net cash used in financing activities	(29,800)	(72,586)
Net increase (decrease) in cash	(75)	2
Cash at beginning of year	882	880
Cash at end of year	\$ 807	\$ 882

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

**DISALLE SECURITIES AND MORTGAGE CO.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

Note 1 -

**Significant accounting policies**

**Nature of business**

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD), engaged in the sale of limited partnership interests through direct participation programs. The Company participated in three new offerings during the year with a concentration in Northwest Ohio.

**Marketable securities**

In accordance with industry accounting practices, marketable securities are carried at market value and any unrealized gain or loss is recognized currently in income. One hundred percent of the marketable securities held at market value consists of common stock of Fifth Third Bankcorp at December 31, 2008 and 2007. The cost of the Fifth Third Bankcorp stock is \$372,328 and the accumulated depreciation and appreciation of the Fifth Third Bankcorp stock was \$(60,423) and \$576,606 at December 31, 2008 and 2007, respectively.

**Revenue recognition**

Commissions are recognized as income when earned according to Private Offering Contracts, rather than when received.

**Income taxes**

The Company has filed an election to be treated as an S-corporation under the applicable sections of the Internal Revenue Code. Under this election, all federal and state income taxes related to the Company's operations are included in the personal income tax returns of the stockholder.

**Cash and cash equivalents**

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Estimates**

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

**Property and equipment**

Property and equipment are stated at cost. Depreciation is computed under the straight-line method over the estimated useful lives of the assets. For income tax purposes, depreciation is computed using the modified accelerated cost recovery system over statutory lives.

**DISALLE SECURITIES AND MORTGAGE CO.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2008 and 2007**

**Note 1 - Significant accounting policies - continued**

**New accounting pronouncements**

In September 2006, The Financial Accounting Standards Board (FASB) issued a Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the impact, if any, of the provisions of SFAS 157 on the Plan's financial statements.

**Accounting for uncertainty in income taxes (FIN 48)** -In July 2006, the FASB issued FASB Interpretation No. 48, (FIN 48) *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the guidance for the recognition and measurement of income tax benefits related to uncertain tax positions in accordance with SFAS No. 109, *Accounting for Income Taxes*. FASB Staff Position No FIN 48-3, issued December 30, 2008, permits an entity within its scope to defer the effective date of FASB Interpretation 48 to its annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer the application of Interpretation 48 for the year ending December 31, 2008. The Company evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

**Note 2 - Related party transactions**

During the years ended December 31, 2008 and 2007, the Company sold limited partnership interests in partnerships in which the Company's controlling stockholder and business manager held a direct equity position. Gross commissions earned from these sales amounted to \$0 and \$41,000 for 2008 and 2007, respectively.

The Company was advanced funds from a company related through common ownership and control. At December 31, 2008 and 2007, such advances totaled \$750 and \$1,000, respectively.

**Note 3 - Net capital requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2008 and 2007, the Company's net capital was in excess of the required capital.

**Note 4 - Other operating expenses**

The Company expenses advertising costs as incurred. Advertising costs which were \$0 and \$500 for the years ended December 31, 2008 and 2007, respectively, are included in the total amount of other operating expenses.

**DISALLE SECURITIES AND MORTGAGE CO.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2008 and 2007**

**Note 5 - Contingency**

The Company is subject to built-in gains tax on its unrealized appreciation of marketable securities as of the date of conversion to an S-corporation, October 1, 1998. The built-in gains tax is imposed if the assets are disposed of within the 10 year period following the conversion date. At December 31, 2008 and 2007, the maximum estimated built-in gains tax liability on unrealized appreciation of marketable securities is approximately \$381,000 calculated at a 35% built-in gains tax rate. Management intends to hold the investment in marketable securities throughout the 10 year period therefore, no built-in gains tax is expected to be imposed. Accordingly, no deferred tax liability has been reflected in the financial statements at December 31, 2008 and 2007.

**Note 6 - Subsequent Events**

Subsequent to year end, the Company's investments have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

**SUPPLEMENTAL INFORMATION**

**DISALLE SECURITIES AND MORTGAGE CO.**  
**COMPUTATION OF NET CAPITAL UNDER**  
**RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Net capital</b>		
Total ownership equity from statement of financial condition	\$ 313,399	\$ 965,408
Deduct nonallowable assets	2,089	12
Net capital before haircuts on security positions	<u>311,310</u>	<u>965,396</u>
Haircuts on securities		
Trading and investment securities	46,786	142,340
Undue concentration	45,286	140,840
Net capital	<u>\$ 219,238</u>	<u>\$ 682,216</u>
<b>Aggregate indebtedness</b>		
Total liabilities from statement of financial condition	<u>\$ 1,781</u>	<u>\$ 1,031</u>
<b>Computation of net capital requirement</b>		
Minimum dollar net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ 214,238</u>	<u>\$ 677,216</u>
Excess net capital at 1000%	<u>\$ 219,060</u>	<u>\$ 682,111</u>
Percentage of aggregate indebtedness to net capital	<u>0.81%</u>	<u>0.15%</u>
<b>Reconciliation with Company's computation of net capital</b>		
Net capital, as reported in Company's Part II-A FOCUS Report	\$ 219,238	\$ 682,252
Increase (decrease) in total ownership equity due to auditors' year end adjustments	<u>0</u>	<u>(36)</u>
Net capital per above	<u>\$ 219,238</u>	<u>\$ 682,216</u>

**DISALLE SECURITIES AND MORTGAGE CO.  
STATEMENT REGARDING EXEMPTION FROM  
REQUIREMENTS OF SEC RULE 15c3-3  
December 31, 2008 and 2007**

DiSalle Securities and Mortgage Co. is engaged in the sale of Direct Participation Programs. It conforms to the exemption provision under Rule 15c3-3, by not collecting nor holding funds or securities for, nor owing money or securities to customers.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5 FOR A  
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors  
DiSalle Securities and Mortgage Co.  
Maumee, Ohio

In planning and performing our audits of the financial statements and supplementary information of DiSalle Securities and Mortgage Co. (the Company) for the years ended December 31, 2008 and 2007, we considered the Company's its 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 a Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities 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 includes tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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.

Our 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

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 financial statements will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*William Vaughan Company*

February 27, 2008

**END**