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

|                 |
|-----------------|
| SEC FILE NUMBER |
| 8- 51601        |

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 1/1/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Silver Oak Securities, Inc.

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

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

3339 N. Highland Avenue

(No. and Street)

Jackson

Tennessee

38305

(City)

(State)

(Zip Code)

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

George T. Allen, III

(731) 668-3825

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Alexander Thompson Arnold, PLLC

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

1148-A South Main Street

Milan

Tennessee

38358

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**FOR OFFICIAL USE ONLY**

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

SEC 1410 (06-02)

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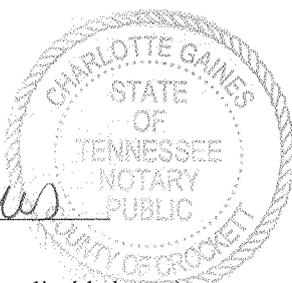
OATH OR AFFIRMATION

I, George T. Allen, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Silver Oak Securities, Inc., as of December, 31, 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:

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

George T. Allen III  
Signature  
CFO  
Title

Charlotte Gaines  
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).

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**SILVER OAK SECURITIES, INC.**

**JACKSON, TENNESSEE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

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Certified Public Accountants

*www.atacpa.net*

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Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Silver Oak Securities, Inc.  
Jackson, Tennessee

We have audited the accompanying balance sheets of Silver Oak Securities, Inc. (Company) as of December 31, 2009 and 2008, and the related statements of income, 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 managements, 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 the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by regulations under rule 17a-5 of the Securities Exchange Act of 1934. This schedule is the responsibility of the Company's management. Such schedule 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.

*Alexander Thompson Arnold PLLC*  
Certified Public Accountants  
Jackson, Tennessee

February 18, 2010

Dyersburg, TN      McKenzie, TN  
Fulton, KY        Milan, TN  
Henderson, TN     Murray, KY  
Jackson, TN        Paris, TN  
Martin, TN         Trenton, TN  
Union City, TN

**SILVER OAK SECURITIES, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2009 AND 2008**

|  | <u>2009</u>           | <u>2008</u>           |
|--|-----------------------|-----------------------|
| <b><u>ASSETS</u></b>                               |                       |                       |
| <b>Current Assets</b>                              |                       |                       |
| Cash and cash equivalents                          | \$ 135,139            | \$ 314,423            |
| CRD account  | 2,501                 | 1,877                 |
| Commissions receivable                             | 437,185               | 291,406               |
| Other receivables                                  | 12,928                | 5,891                 |
| Security deposit held by broker                    | 15,000                | 15,010                |
| Income taxes receivable                            | -                     | 26,140                |
| Deferred income tax asset                          | <u>1,183</u>          | <u>15</u>             |
| <br>TOTAL ASSETS                                   | <br><u>\$ 603,936</u> | <br><u>\$ 654,762</u> |
| <b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b> |                       |                       |
| <b>Current Liabilities</b>                         |                       |                       |
| Commissions payable                                | \$ 378,262            | \$ 249,383            |
| Accounts payable                                   | 5,045                 | 11,853                |
| Accrued payroll taxes                              | 54                    | 26                    |
| Accrued income taxes                               | <u>16,660</u>         | <u>920</u>            |
| <br>TOTAL LIABILITIES                              | <br><u>400,021</u>    | <br><u>262,182</u>    |
| <b>Stockholder's Equity</b>                        |                       |                       |
| Common stock:                                      |                       |                       |
| Class A  | 55,225                | 55,225                |
| Class B  | 172,000               | 172,000               |
| Retained earnings (deficit)                        | <u>(23,310)</u>       | <u>165,355</u>        |
| TOTAL STOCKHOLDER'S EQUITY                         | <u>203,915</u>        | <u>392,580</u>        |
| <br>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY     | <br><u>\$ 603,936</u> | <br><u>\$ 654,762</u> |

See accompanying notes to the financial statements.

**SILVER OAK SECURITIES, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|                                    | <b><u>2009</u></b>  | <b><u>2008</u></b> |
|------------------------------------|---------------------|--------------------|
| REVENUE                            |                     |                    |
| Commissions                        | \$ 4,473,513        | \$ 3,970,191       |
| Interest                           | 7,285               | 13,220             |
| Other income                       | <u>458,129</u>      | <u>144,523</u>     |
| TOTAL REVENUE                      | <u>4,938,927</u>    | <u>4,127,934</u>   |
| EXPENSES                           |                     |                    |
| Employee compensation and benefits | 303,114             | 304,770            |
| Commissions                        | 3,958,583           | 3,476,198          |
| Interest                           | -                   | 8                  |
| General office                     | 85,335              | 79,267             |
| Other expenses                     | <u>753,518</u>      | <u>229,732</u>     |
| TOTAL EXPENSES                     | <u>5,100,550</u>    | <u>4,089,975</u>   |
| INCOME (LOSS) BEFORE INCOME TAXES  | (161,623)           | 37,959             |
| INCOME TAX (EXPENSE)               | <u>(27,042)</u>     | <u>(9,068)</u>     |
| NET INCOME                         | <u>\$ (188,665)</u> | <u>\$ 28,891</u>   |

See accompanying notes to the financial statements.

**SILVER OAK SECURITIES, INC.**  
**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|                              | Common Stock-Class A<br>Shares | Amount    | Common Stock-Class B<br>Shares | Amount     | Paid-In<br>Capital | Retained<br>Earnings | Total      |
|------------------------------|--------------------------------|-----------|--------------------------------|------------|--------------------|----------------------|------------|
| Balance at January 1, 2008   | 76,000,000                     | \$ 55,225 | 15,320,000                     | \$ 183,000 | -                  | \$ 136,464           | \$ 374,689 |
| Stock repurchase             |                                |           | (110,000)                      | (11,000)   |                    |                      | (11,000)   |
| Net income for the year      |                                |           |                                |            |                    | 28,891               | 28,891     |
| Balance at December 31, 2008 | 76,000,000                     | 55,225    | 15,210,000                     | 172,000    | -                  | 165,355              | 392,580    |
| Net loss for the year        |                                |           |                                |            |                    | (188,665)            | (188,665)  |
| Balance at December 31, 2009 | 76,000,000                     | \$ 55,225 | 15,210,000                     | \$ 172,000 | -                  | \$ (23,310)          | \$ 203,915 |

See accompanying notes to the financial statements.

**SILVER OAK SECURITIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|  | <b><u>2009</u></b> | <b><u>2008</u></b> |
|--|--------------------|--------------------|
| <b><u>Cash flows from operating activities</u></b>   |                    |                    |
| Net income (loss)  | \$ (188,665)       | \$ 28,891          |
| Adjustments to reconcile net income to net cash<br>provided (used) by operating activities |                    |                    |
| (Increase) decrease in receivables   | (153,440)          | 21,725             |
| Decrease in other assets   | 10                 | 8                  |
| (Increase) decrease in deferred tax asset  | (1,168)            | 1,314              |
| Increase (decrease) in accounts payable  | 122,099            | (59,755)           |
| Increase (decrease) in accrued income taxes  | <u>41,880</u>      | <u>(45,219)</u>    |
| Net cash used by operating activities  | (179,284)          | (53,036)           |
| <b><u>Cash flows from financing activities</u></b>   |                    |                    |
| Decrease in common stock   | <u>-</u>           | <u>(11,000)</u>    |
| Net cash used by financing activities  | <u>-</u>           | <u>(11,000)</u>    |
| Net decrease in cash   | (179,284)          | (64,036)           |
| Cash and cash equivalents at beginning of the period                                       | <u>314,423</u>     | <u>378,459</u>     |
| Cash and cash equivalents at end of the period   | <u>\$ 135,139</u>  | <u>\$ 314,423</u>  |
| Supplemental disclosures of cash flow information:   |                    |                    |
| Cash paid (received) during the year for income taxes                                      | <u>\$ (13,670)</u> | <u>\$ 54,126</u>   |

See accompanying notes to the financial statements.

**SILVER OAK SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

**Note (1) - Summary of Significant Accounting Policies**

**A - Commissions Receivable:**

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with its broker-dealer and other customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

**B - Income Taxes:**

Income taxes are provided using an asset and liability approach. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Deferred tax assets are recognized for the expected future tax benefit attributable to certain accrued expenses that are not deductible until paid. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

**C - Cash Flows:**

For purposes of reporting cash flows, cash consists of cash on deposit. Highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. There were no cash equivalents during the years ended December 31, 2009. At December 31, 2008, cash equivalents in the form of money market accounts totaled \$198,520.

**D - Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles and prevailing industry practices requires management to make estimates and assumptions that affect the reported amounts of 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.

**E - Subsequent Events:**

Management has evaluated subsequent events through February 18, 2010, the date which the financial statements were available to be issued.

**SILVER OAK SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

**Note (2) - Description of Business**

The Company was chartered in January 1998. In January 1999, the Company received \$16,100 upon issuance of 1,610,000 shares of common stock. Effective December 5, 2007, the Company was reorganized and changed its name from William Hopkins & Associates, Inc. to Silver Oak Securities, Inc. The outstanding common stock was exchanged for Class A common stock of Silver Oak Securities, Inc. Additionally, the Company issued Class B common stock.

The Company operates in the securities industry as an introducing broker, predominantly in the West Tennessee area.

**Note (3) - Income Taxes**

The net deferred taxes in the accompanying balance sheets include the following amounts of deferred tax assets and liabilities.

|                               | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------|-------------|
| <b>Deferred tax asset</b>     |             |             |
| Federal                       | \$ 825      | \$ 10       |
| State                         | 358         | 5           |
|                               | 1,183       | 15          |
| <b>Deferred tax liability</b> |             |             |
| Federal                       | \$ -        | \$ -        |
| State                         | -           | -           |
|                               | -           | -           |
| <b>Net deferred tax asset</b> | \$ 1,183    | \$ 15       |
| <b>Net federal tax asset</b>  | \$ 825      | \$ 10       |
| <b>Net state tax asset</b>    | \$ 358      | \$ 5        |

**SILVER OAK SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

**Note (3) - Income Taxes (cont'd)**

The components of income tax benefit (expense) are as follows:

|                 | <u>2009</u>        | <u>2008</u>       |
|-----------------|--------------------|-------------------|
| <b>Current</b>  |                    |                   |
| Federal         | \$ (21,431)        | \$ (4,630)        |
| State           | (6,779)            | (3,124)           |
|                 | <u>(28,210)</u>    | <u>(7,754)</u>    |
| <b>Deferred</b> |                    |                   |
| Federal         | 810                | (917)             |
| State           | 358                | (397)             |
|                 | <u>1,168</u>       | <u>(1,314)</u>    |
|                 | <u>\$ (27,042)</u> | <u>\$ (9,068)</u> |

The income tax provision differs from the benefit (expense) that would result from applying federal statutory tax rates to income (loss) before income taxes because of state income taxes and penalties paid by the company during the year.

**Note (4) - Capital Stock**

As a result of a business reorganization that was effective as of December 5, 2007, the Company's name changed from William E. Hopkins & Associates, Inc. to Silver Oak Securities, Inc. The Company is authorized to issue one hundred million (100,000,000) shares with no par value, with ten voting rights per share to be known as Class A stock, and one hundred million (100,000,000) shares with no par value, with one voting right per share to be known as Class B stock. As of December 31, 2009, 76,000,000 shares of Class A stock have been issued and remain outstanding, and 15,220,000 shares of Class B stock have been issued and remain outstanding.

**Note (5) - Concentrations of Credit Risk**

The Company has an agreement with a broker-dealer whereby all of certain types of securities transactions must be cleared through that broker-dealer. Other securities transactions (primarily mutual fund transactions) are excluded from this agreement. In the event counterparties with whom the Company transacts business 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 instrument. The Company does not anticipate nonperformance by clients or counterparties in the preceding situations. If either a customer or counterparty fails to perform, the Company may be required to discharge the obligation of the nonperforming party and, in such circumstances, the Company may sustain a loss. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

**SILVER OAK SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

**Note (5) - Concentrations of Credit Risk (cont'd)**

The Company maintains its cash balances in two financial institutions. One is located in Lexington, Tennessee, the other is located in Jackson, Tennessee. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2009 and 2008. At December 31, 2009 and 2008, the Company had no uninsured cash balances.

**Note (6) - Related Party Transactions**

During the year ended December 31, 2009 and 2008, the Company paid commissions to related parties in the amount of \$35,572 and \$50,099, respectively. In addition, approximately \$5,501 and \$100, of commissions payable to these individuals was included in accrued expenses as of December 31, 2009 and 2008, respectively.

The Company paid officer salaries in the combined amount of \$260,245 and \$263,135 to three employees who are also shareholders of the Company during the years ended December 31, 2009 and 2008, respectively.

The Company leases office space from Hopkins Anderton Partnership. The lease began March 1, 2009, and ends February 29, 2010, with an option to renew for one year. The Company is obligated to pay a total of \$18,000 in monthly installments of \$1,500.

**Note (7) - Operating Lease Commitments**

The Company leases certain equipment and office facilities which are classified as operating lease agreements. The Company is under the obligation of two leases which expire in 2010 and 2011, respectively.

Minimum future obligations on these leases at December 31, 2009 are:

|       |                |
|-------|----------------|
| 2010  | \$1,990        |
| 2011  | <u>1,824</u>   |
| Total | <u>\$3,814</u> |

Lease payments in 2009 and 2008 were \$18,990 and \$12,254, respectively.

**Note (8) - Net Capital Requirements**

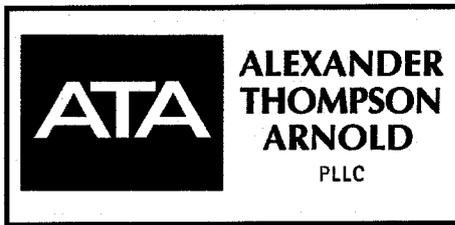
The Company is subject to the minimum capital requirements of several regulatory organizations. Under the most restrictive of these rules, the Company is required to maintain "adjusted net capital" in the amount of \$5,000.

**SUPPLEMENTAL SCHEDULE**

**SILVER OAK SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|   | <b>REPORTED<br/>IN FORM<br/>X-17A-5</b> | <b>RECONCILING<br/>ITEMS</b> | <b>REPORTED<br/>IN AUDIT<br/>REPORT</b> |
|---|---|------------------------------|---|
| <b><u>COMPUTATION OF NET CAPITAL</u></b>                                    |   |                              |   |
| <b><u>pursuant to Rule 15c3-1 of the Securities and Exchange</u></b>        |   |                              |   |
| <b><u>Commission Act of 1934 for Investment Advisory</u></b>                |   |                              |   |
| Total stockholder's equity from balance sheet/<br>qualified for net capital | \$ 203,915                              | \$ -                         | 203,915                                 |
| Deductions:   |   |                              |   |
| Deferred tax credit   | (1,183)                                 | -                            | (1,183)                                 |
| CRD account   | (2,501)                                 | -                            | (2,501)                                 |
| Commissions receivable greater than 30 days                                 | (2,740)                                 | -                            | (2,740)                                 |
| Estimated 12b-1 receivables   | (31,989)                                | -                            | (31,989)                                |
| Net capital before haircuts on securities positions                         | 165,502                                 | -                            | 165,502                                 |
| Haircuts on security positions  | (300)                                   | -                            | (300)                                   |
| Net capital   | \$ 165,202                              | \$ -                         | \$ 165,202                              |
| <b><u>COMPUTATION OF BASIC<br/>NET CAPITAL REQUIREMENT</u></b>              |   |                              |   |
| Minimum net capital required  | \$ 26,668                               | \$ -                         | \$ 26,668                               |
| Minimum dollar net capital requirement                                      | \$ 5,000                                | \$ -                         | \$ 5,000                                |
| Net capital requirement   | \$ 26,668                               | \$ -                         | \$ 26,668                               |
| Excess net capital  | \$ 138,534                              | \$ -                         | \$ 138,534                              |
| Excess net capital at 100%  | \$ 125,200                              | \$ -                         | \$ 125,200                              |
| <b><u>COMPUTATION OF<br/>AGGREGATE INDEBTEDNESS</u></b>                     |   |                              |   |
| Total liabilities from balance sheet/<br>aggregate indebtedness             | \$ 400,021                              | \$ -                         | \$ 400,021                              |
| Percentage of aggregate indebtedness<br>to net capital                      | 242%                                    | 0%                           | 242%                                    |

See accompanying independent auditors' report.



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

1148 South Main Street, Ste. A Telephone: (731) 686-8371  
Milan, TN 38358 Fax: (731) 686-8378

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Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL**

Board of Directors  
Silver Oak Securities, Inc.  
Jackson, Tennessee

In planning and performing our audit of the financial statements of Silver Oak Securities, Inc. (Company) as of and for the years ended December 31, 2009 and 2008, in accordance with the standards of the Public Company Accounting Oversight Board (United States), 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency and another deficiency that we consider to be a material weakness.

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. We consider the following deficiency to be a significant deficiency in internal control:

|                |              |
|----------------|--------------|
| Dyersburg, TN  | McKenzie, TN |
| Fulton, KY     | Milan, TN    |
| Henderson, TN  | Murray, KY   |
| Jackson, TN    | Paris, TN    |
| Martin, TN     | Trenton, TN  |
| Union City, TN |              |

**Segregation of Duties**

*Condition:* During our procedures to gain an understanding of internal control, we noted inadequate segregation of duties between the accounting and custody functions. With the same individual performing all accounting functions, there exists an opportunity for concealment of theft or misappropriation of assets.

*Management response:* Management believes the cost of correcting this deficiency would exceed the benefits derived from doing so.

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 the practices and procedures that accomplish the objectives referred to in the second paragraph of this communication 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, 2009 and 2008, to meet the SEC's objectives.

The Company's written responses to the significant deficiency and the material weakness identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934, and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander Thy Arnold PLLC*

Certified Public Accountants

Jackson, Tennessee  
February 18, 2010