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

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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 January 1, 2010 AND ENDING December 31, 2010
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: McKinnon & Company, Inc.

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

999 Waterside Drive, Suite 1200, Norfolk, Virginia 23510

(No. and Street)

Norfolk

(City)

Virginia

(State)

23510

(Zip Code)

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

William J. McKinnon, Jr.

757-623-4636

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Carr, Riggs & Ingram, LLC

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

Post Office Box 311070

(Address)

Enterprise,

(City)

Alabama

(State)

36331

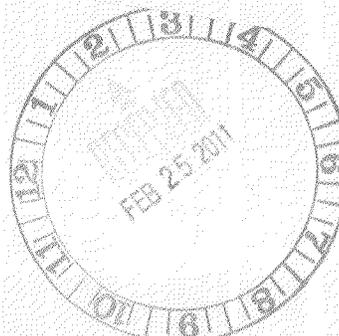
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any

FOR OFFIC

*Claims for exemption from the requirement that the annual
must be supported by a statement of facts and circumstance



ic accountant
10.17a-5(e)(2)

Ch. 5
12/21/10

OATH OR AFFIRMATION

William J. McKinnon, Jr. , swear (or affirm) that, to the best of knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of McKinnon & Company, Inc. , as of December 31 , 20 10 , 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]
Signature
President
Title

Leah Edmonds Mueple
Notary Public

My Commission Expires
March 31, 2012

Notary Regis.
211810

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).

McKinnon & Company, Inc.

Financial Statements

December 31, 2010 and 2009

McKinnon & Company, Inc.
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December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
McKinnon & Company, Inc.

We have audited the accompanying balance sheets of McKinnon & Company, Inc. (the Company) as of December 31, 2010 and 2009, and the related statements of income, retained earnings, 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 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 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 McKinnon & Company, Inc. as of December 31, 2010 and 2009, 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 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 in the Supplemental Schedules is presented for the purposes of additional analysis and 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 25, 2011

McKinnon & Company, Inc.

Statements of Financial Condition

<i>December 31,</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 166,383	\$ 684,334
Receivable from clearing organization	49	-
Receivable from operations	9,366	-
Securities owned:		
Marketable, at market value	44,246	-
Furniture and equipment, net	3,926	6,727
Other assets	11,124	4,357
Total assets	\$ 235,094	\$ 695,418
Liabilities and Stockholders' Equity		
Liabilities		
Payable to clearing organization	\$ -	\$ 3,754
Securities sold, not yet purchased, at market value	43,655	-
Accounts payable and accrued expenses	20,872	27,736
Total liabilities	64,527	31,490
Stockholders' equity		
Common stock (\$1 par value, 50,000 shares and 10,000 shares authorized as of December 31, 2010 and 2009, respectively; 32,741 shares and 7,690 shares issued and outstanding as of December 31, 2010 and 2009, respectively)	32,741	7,690
Additional paid-in capital	844,609	619,660
Retained earnings	(706,783)	36,578
Total stockholders' equity	170,567	663,928
Total liabilities and stockholders' equity	\$ 235,094	\$ 695,418

See accompanying notes to financial statements.

McKinnon & Company, Inc.

Statements of Income

<i>Years ended December 31,</i>	2010	2009
Revenues		
Commissions	\$ 38,425	\$ 254,847
Principal transactions	(40,611)	105,193
Investment banking	9,365	95,600
Interest and dividends	222	4,184
Other income	-	297
Total revenues	7,401	460,121
Expenses		
Employee compensation and benefits	493,050	519,457
Occupancy	75,038	70,348
Floor brokerage, exchange, and clearance fees	63,615	57,254
Regulatory fees and expense	27,364	27,006
Consultant services	27,273	35,022
Communications and data processing	20,573	15,197
Other expenses	43,849	53,334
Total expenses	750,762	777,618
Net Loss	\$ (743,361)	\$ (317,497)
Loss per Share	\$ (71.85)	\$ (41.29)

See accompanying notes to financial statements.

McKinnon & Company, Inc.

Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2008	\$ 7,690	\$ 619,660	\$ 541,254	\$ 1,168,604
Net loss	-	-	(317,497)	(317,497)
Dividends	-	-	(187,179)	(187,179)
Balance at December 31, 2009	7,690	619,660	36,578	663,928
Net loss	-	-	(743,361)	(743,361)
Sale of common stock (at \$9.98 per share)	25,051	224,949	-	250,000
Balance at December 31, 2010	\$ 32,741	\$ 844,609	\$ (706,783)	\$ 170,567

See accompanying notes to financial statements.

McKinnon & Company, Inc.

Statements of Cash Flows

<i>Years ended December 31,</i>	2010	2009
Cash Flows from Operating Activities:		
Net loss	\$ (743,361)	\$ (317,497)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	2,668	7,283
Loss on disposal of asset	633	1,325
Unrealized gain on investment	(591)	-
Changes in operating assets and liabilities:		
Receivable from clearing organization	(49)	18,734
Receivable from operations	(9,366)	650,000
Securities owned, net	(43,655)	111,373
Other assets	(6,767)	20,800
Payable to clearing organization	(3,754)	(178,814)
Securities sold, not yet purchased	43,655	(7,838)
Accounts payable and accrued expenses	(6,864)	(46,460)
Net cash (used in) provided by operating activities	(767,451)	258,906
Cash Flows from Investing Activities:		
Purchase of furniture and equipment	(500)	(640)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	250,000	-
Dividends paid	-	(187,179)
Net (Decrease) Increase in Cash and Cash Equivalents	(517,951)	71,087
Cash and Cash Equivalents, beginning of year	684,334	613,247
Cash and Cash Equivalents, end of year	\$ 166,383	\$ 684,334

See accompanying notes to financial statements.

Notes to the Financial Statements

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

McKinnon & Company, Inc. (the Company), a Virginia corporation organized in 1988, is a licensed broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the Financial Industry Regulatory Authority (FINRA). The Company acts primarily as an underwriter and advisor for public offerings, sales and mergers. The Company's office is located in Norfolk, Virginia.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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.

Securities Owned

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached contractual settlement date are recorded net on the statement of financial condition.

Securities are recorded at fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*.

Investment Banking

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of five to seven years.

Notes to the Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company has elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements since the taxable income or loss is included in the income tax return of the stockholders. As the Company is not liable for federal or state income tax, the Company has recorded no liability associated with uncertain tax positions. The Company files income tax returns in the US federal jurisdiction. The statute of limitation for Internal Revenue Service (IRS) examination of the Company's federal tax returns is determined by the statute governing the tax returns of its stockholders.

Earnings per Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The weighted average number of common shares outstanding used to calculate earnings per share was 10,346 and 7,690 for the years ended December 31, 2010 and 2009, respectively.

Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days and personal days off depending on job classifications, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months that are not held for sale in the ordinary course of business.

Subsequent Events

The Company evaluated all events or transactions that occurred after December 31, 2010 through February 25, 2011, the date the Company issued these financial statements. During this period, the Company did not have any material recognizable subsequent events that required recognition in the disclosures to the December 31, 2010 financial statements.

Reclassification

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Notes to the Financial Statements

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

Accounting Standards Codification - In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission (SEC). Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. FASB ASC 105-10, "Generally Accepted Accounting Principles," became applicable beginning in third quarter 2009. All accounting references have been updated, and therefore SFAS references have been replaced with ASC references except for SFAS references that have not been integrated into the codification.

Fair Value Measurement - In April 2009, the FASB issued ASC 820-10-65-4, "Fair Value Measurements and Disclosures." FASB ASC 820-10-65-4 provides additional guidance for estimating fair value in accordance with FASB ASC 820 when the volume and level of activity for the asset or liability have decreased significantly. FASB ASC 820-10-65-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of FASB ASC 820-10-65-4 were effective April 1, 2009. There was no impact as a result of adopting FASB ASC 820-10-65-4.

Other-than-temporary impairment - In April 2009, the FASB issued ASC 320-10-65-1, "Investments - Debt and Equity Securities," that amends current other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This ASC does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The provisions of FASB ASC 320-10-65-1 are effective for the Company's annual period ending on December 31, 2009. There was no impact from the adoption of FASB ASC 320-10-65-1 on the Company's financial position, results of operations or cash flows.

Also during the first quarter of 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements." This update requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information about purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. This guidance was effective for interim and annual reporting periods beginning after December 15, 2009. The new guidance did not have an impact on the Company's financial position or results of operations.

Notes to the Financial Statements

NOTE 3 – FAIR VALUE

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are assumed to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices (unadjusted) in active markets for identical asset or liabilities the Company has the ability to access.

Level 2: Inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

Assets measured at fair value are summarized below:

Fair Value Measurements at December 31, 2010 using

	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities owned				
Equities	\$ 44,246	\$ 44,246	-	-
Liabilities				
Securities sold, not yet purchased				
Equities	\$ 43,655	\$ 43,655		

McKinnon & Company, Inc.

Notes to the Financial Statements

NOTE 3 – FAIR VALUE *(Continued)*

The Company did not have any assets or liabilities measured at fair value as of December 31, 2009.

NOTE 4 – DEPOSITS

The Company maintains cash on deposit with two banking institutions. At times, deposits may exceed Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000. At December 31, 2010, the Company did not have any deposit accounts with balances in excess of FDIC coverage.

The Company maintains cash balances at a clearing organization in excess of the amount insured by the Securities Investor Protection Corporation (SIPC). The Company had on deposit with a clearing organization \$28,034 and \$62,192 in excess of SIPC coverage of \$100,000 at December 31, 2010 and 2009, respectively.

NOTE 5 – RECEIVABLE FROM AND PAYABLE TO CLEARING ORGANIZATIONS

Account receivable from and payable to clearing organizations consist of the following:

	Receivable	Payable
<i>December 31, 2010</i>		
Receivable from clearing organization	\$ 49	\$ -
<i>December 31, 2009</i>		
Payable to clearing organization	\$ -	\$ 3,754

The Company clears all of its propriety and customer transactions through a clearing organization on a fully disclosed basis. The amount payable to the clearing broker relates to the aforementioned transactions and is collateralized by cash deposits and securities owned by the Company.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

McKinnon & Company, Inc.

Notes to the Financial Statements

NOTE 7 – FURNITURE AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment follows:

<i>December 31,</i>	2010	2009
Furniture and office equipment	\$ 64,225	\$ 69,635
Vehicles	53,367	53,367
Accumulated depreciation	117,592 (113,666)	123,002 (116,275)
Property and equipment, net	\$ 3,926	\$ 6,727

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to \$2,668 and \$7,283, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

The Company has obligations under operating leases with initial noncancelable terms in excess of one year. Aggregate annual rentals for office space and equipment at December 31, 2010, are approximately as follows:

2011		\$ 67,466
2012		69,490
2013		29,823
		\$ 166,779

Rent expense for 2010 and 2009 aggregated to \$66,566 and \$61,245, respectively, and is included in the occupancy expense line item on the Statements of Income.

NOTE 9 – LEGAL CONTINGENCIES

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's financial statements.

NOTE 10 – PROFIT SHARING PLAN

The Company has adopted a profit sharing plan for the benefit of management and employees. Contributions are made to this plan each year from current or accumulated profits in an amount determined by the Board of Directors. In 2010 and 2009, the Company elected not to make a contribution to the profit sharing plan.

Notes to the Financial Statements

NOTE 11 – 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 (and the rule of the “applicable” exchange 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, 2010, the Company had net capital of \$133,047, which was \$33,047 in excess of its required net capital of \$100,000. At December 31, 2009, the Company had net capital of \$649,599, which was \$549,599 in excess of its required net capital of \$100,000. The Company’s net capital ratio was .17 to 1 and .05 to 1 at December 31, 2010 and 2009, respectively.



Supplemental Schedules

McKinnon & Company, Inc.
Supplemental Schedule of Computation of Net Capital Under Rule
15c3-1 of the Securities and Exchange Commission

<i>Years ended December 31,</i>	2010	2009
Net Capital		
Total stockholders' equity	\$ 170,567	\$ 663,928
Deductions and/or charges:		
Non-allowable assets:		
Furniture and equipment	(3,926)	(6,727)
Receivables over 30 days outstanding	(9,366)	-
Other assets	(11,124)	(7,602)
Net capital before haircuts on securities positions	146,151	649,599
Haircut on securities	13,104	-
Net capital	\$ 133,047	\$ 649,599
Aggregate Indebtedness		
Items included in the statement of financial condition:		
Payable to customers and clearing broker	\$ 1,202	\$ 3,754
Other accounts payable and accrued expenses	20,872	27,736
	\$ 22,074	\$ 31,490
Computation of Basic Net Capital Requirements		
Minimum net capital required	\$ 100,000	\$ 100,000
Net capital in excess the greater of 6 2/3% of aggregate indebtedness or minimum net capital requirement	33,047	549,599
Ratio: Aggregate indebtedness to net capital	.17 to 1	.05 to 1
Reconciliation with Company's Computation		
Net capital, as reported in Company's Focus Report Part II	\$ 133,047	\$ 649,599
Net audit adjustments	-	-
Net capital per above	\$ 133,047	\$ 649,599

McKinnon & Company, Inc.
Supplemental Schedule of Computation for Determination of
Reserves Requirements Under Rule 15c3-3 of the
Securities and Exchange Commission

The Company is exempt from this requirement under SEC Rule 15c3-3(k)(2)(ii).

Other Reports



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL
STRUCTURE REQUIRED BY RULE 17a-5 OF THE SECURITIES
AND EXCHANGE COMMISSION**

To the Board of Directors of
McKinnon & Company, Inc.

In planning and performing our audits of the financial statements of McKinnon & Company, Inc. (the Company) as of and for the years ended December 31, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, 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 compliance with 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 and 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.

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 deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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, as described in the second paragraph of this report, were adequate at December 31, 2010 and 2009, to meet the SEC's objectives.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 25, 2011



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
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**INDEPENDENT ACCOUNTANTS REPORT ON APPLYING
AGREED-UPON PROCEDURES AS REQUIRED BY RULE
17a-5(e)(4) OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Board of Directors of
McKinnon & Company, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Transitional Assessment Reconciliation (the Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the period from January 1, 2010 to December 31, 2010, which were agreed to by McKinnon & Company, Inc. (the Company) and the Securities and Exchange Commission and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the Form SIPC-7. The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries related to payments made or overpayments applied in connection with the SIPC-6 filing, noting no differences;
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2010 with the amounts reported in Form SIPC -7 for the period from January 1, 2010 to December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers with those amounts reported in the financial statements, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments through recalculation of the general assessment based on revenues and expenses reported within the financial statements, noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed. There was no overpayment noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 25, 2011