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

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

SEC FILE NUMBER 8-42682

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 01/01/2011 AND ENDING 12/31/2011 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: RE Investment Corporation

OFFICIAL USE ONLY FIRM I.D. NO.

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

4301 Wilson Boulevard

(No. and Street)

Arlington

VA

22203

(City)

(State)

(Zip Code)

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

Danielle Sieverling

703-907-5993

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO USA, LLP

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

7101 Wisconsin Avenue, Suite 800, Bethesda, MD 20814-4827

(Address)

(City)

(State)

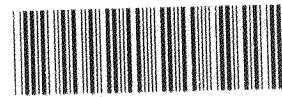
(Zip Code)

CHECK ONE:

[X] Certified Public Accountant

[] Public Accountant

[] Accountant not resident in United States or any of its possessions.



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

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OATH OR AFFIRMATION

I, Amy DiMauro, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of RE Investment Corporation, as of December 31, 2011, 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:



Amy DiMauro
Signature
Director and Treasurer
Title

Lynn M. Kristianson
Notary Public

My Comm. Exps. 12/31/2013
132591

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).



Independent Auditors' Report

To the Board of Directors of
RE Investment Corporation and Subsidiary
Arlington, Virginia

We have audited the accompanying consolidated statement of financial condition of **RE Investment Corporation and Subsidiary** (the Company) as of December 31, 2011, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company as of and for the year ended December 31, 2010, were audited by other auditors whose report dated February 24, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **RE Investment Corporation and Subsidiary** as of December 31, 2011, and the results of their operations and their cash flows for the year 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 consolidated financial statements taken as a whole. The supplementary information contained in the schedule of computation of net capital under SEC Rule 15c3-1 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

BDO USA, LLP

February 24, 2012

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

RE Investment Corporation and Subsidiary

Consolidated Statements of Financial Condition

December 31,	2011	2010
Assets		
Cash and cash equivalents	\$ 5,391,850	\$ 4,673,477
Investments in Homestead Funds, at fair value	523,578	531,189
Accounts receivable	34,395	32,840
Due from Homestead Funds	991,165	877,237
Prepaid expenses and other assets	215,817	195,525
Deposit in escrow	150,245	150,245
Fixed assets, net	72,485	80,681
Total assets	\$ 7,379,535	\$ 6,541,194
 Liabilities and Stockholder's Equity		
Liabilities		
Due to NRECA	\$ 537,521	\$ 197,482
Accrued liabilities	677,536	620,105
Deferred tax liability	34,029	40,024
Total liabilities	1,249,086	857,611
Commitments and contingencies	-	-
Stockholder's equity		
Common stock, \$1.00 par value, 1,000 shares authorized, issued, and outstanding	1,000	1,000
Additional paid-in capital	319,666	319,666
Accumulated earnings	5,809,783	5,362,917
Total stockholder's equity	6,130,449	5,683,583
Total liabilities and stockholder's equity	\$ 7,379,535	\$ 6,541,194

See accompanying notes to consolidated financial statements.

RE Investment Corporation and Subsidiary

Consolidated Statements of Operations

Years ended December 31,	2011	2010
Income		
Management and administrative fees, net - Homestead Funds	\$ 8,045,321	\$ 6,675,155
Management fees - other	137,938	123,271
Interest	10,768	6,537
Net unrealized (depreciation) appreciation on investments in Homestead Funds	(17,126)	84,007
Total income	8,176,901	6,888,970
Expenses		
Allocated administrative costs from NRECA	5,109,168	4,019,088
Promotional	354,244	341,185
Registration fees	173,020	177,720
Professional fees	61,042	53,072
Insurance	49,495	49,093
Communication	17,719	15,135
Other	1,769,703	1,463,098
Total expenses	7,534,391	6,118,391
Income before taxes	642,510	770,579
Provision for income taxes	(195,644)	(328,930)
Net income	\$ 446,866	\$ 441,649

See accompanying notes to consolidated financial statements.

RE Investment Corporation and Subsidiary

Consolidated Statements of Changes in Stockholder's Equity

	Common Stock	Additional Paid-In Capital	Accumulated Earnings	Total
Balance, December 31, 2009	\$ 1,000	\$ 319,666	\$ 4,921,268	\$ 5,241,934
Net income	-	-	441,649	441,649
Balance, December 31, 2010	1,000	319,666	5,362,917	5,683,583
Net income	-	-	446,866	446,866
Balance, December 31, 2011	\$ 1,000	\$ 319,666	\$ 5,809,783	\$ 6,130,449

See accompanying notes to consolidated financial statements.

RE Investment Corporation and Subsidiary

Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2011	2010
Cash flows from operating activities		
Net income	\$ 446,866	\$ 441,649
Adjustments to reconcile net income to net cash provided by operating activities		
Net unrealized depreciation (appreciation) on investments in Homestead Funds	17,126	(84,007)
Depreciation and amortization	8,196	8,196
(Increase) decrease in assets		
Accounts receivable	(1,555)	(3,655)
Due from Homestead Funds	(113,928)	7,238
Prepaid expenses and other assets	(20,292)	(35,907)
Increase (decrease) in liabilities		
Due to NRECA	340,039	(191,332)
Accrued liabilities	57,431	193,561
Deferred tax liability	(5,995)	29,404
Net cash provided by operating activities	727,888	365,147
Cash flows from investing activities		
Purchases of mutual fund shares	(9,515)	(4,306)
Net cash used in investing activities	(9,515)	(4,306)
Increase in cash and cash equivalents	718,373	360,841
Cash and cash equivalents, beginning of year	4,673,477	4,312,636
Cash and cash equivalents, end of year	\$ 5,391,850	\$ 4,673,477

See accompanying notes to consolidated financial statements.

RE Investment Corporation and Subsidiary

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

RE Investment Corporation (RE Investment) was organized on May 1, 1990, as a District of Columbia corporation for the purposes of operating as a securities broker-dealer. RE Investment is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). RE Investment re-incorporated in the Commonwealth of Virginia on July 6, 1995. RE Investment is part of an affiliated group of subsidiaries consolidated with National Rural Electric Cooperative Association (NRECA).

RE Advisers Corporation (RE Advisers), a wholly owned subsidiary, is an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940. RE Advisers provides investment management and administrative services to Homestead Funds, Inc., an affiliate of NRECA.

NRECA provides personnel, property and services to RE Investment and RE Advisers (collectively, the Company), at a cost equal to the portion of NRECA's costs that are attributable to the Company.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of RE Investment's wholly-owned subsidiary, RE Advisers. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements of the Company have been prepared on the accrual basis in accordance with accounting standards generally accepted in the United States of America.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less and investments in money market mutual funds to be cash equivalents. The Company maintains deposits with high quality institutions in amounts that are in excess of federally insured limits; however, the Company does not believe it is exposed to any significant credit risk.

Fair Value

Financial instruments are recorded at fair value. 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. Under the fair value hierarchy, the inputs to valuation techniques are prioritized into the following levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

RE Investment Corporation and Subsidiary

Notes to Consolidated Financial Statements

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

Level 3: Inputs are unobservable for the asset or liability and rely on management's own best estimate of what market participants would use in pricing the asset or liability at fair value.

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

The investments in Homestead Funds, which are mutual funds, are considered Level 1, and measured at fair value on a recurring basis based on quoted prices for identical assets in active markets.

Accounts Receivable

Accounts receivable consist primarily of amounts due from customers for management fees.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from 3 to 15 years.

Revenue Recognition

Revenues from management fees and administrative fees are recognized in the period in which the service is rendered.

Expenses

Expenses are recognized by the Company during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles that are generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company

RE Investment Corporation and Subsidiary

Notes to Consolidated Financial Statements

may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Company has analyzed its tax positions taken on tax returns for all open tax years, and has concluded that no additional provision or benefit exists. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008.

2. Investments In Homestead Funds

At December 31, 2011 and 2010, RE Advisers held shares in the Funds. These securities are reported at fair value with any unrealized appreciation or depreciation in value reported directly to income. Fair values of the securities are based on quoted market prices. There were no sales during the year ended December 31, 2011, and no purchases, other than reinvestments of distributions. The fair value of RE Advisers' investments in the Funds at December 31, 2011 and 2010, are as follows:

<i>December 31,</i>		2011	2010
Short-Term Government Securities Fund	\$	97,107	\$ 95,175
Small-Company Stock Fund		280,969	279,335
Stock Index Fund		54,199	53,321
International Value Fund		57,099	68,424
Growth Fund		34,204	34,934
Total	\$	523,578	\$ 531,189

3. Deposit In Escrow

At December 31, 2011 and 2010, the Company has placed \$150,245 in escrow with a bank for the purpose of covering the deductible amount on a fidelity bond held for Homestead Funds, Inc.

RE Investment Corporation and Subsidiary

Notes to Consolidated Financial Statements

4. Fixed Assets

Fixed assets consist of the following at:

<i>December 31,</i>	2011	2010
Software	\$ 110,700	\$ 110,700
Furniture	49,439	49,439
Leasehold improvements	49,000	49,000
Equipment	8,950	8,950
	218,089	218,089
Less accumulated depreciation and amortization	(145,604)	(137,408)
Fixed assets, net	\$ 72,485	\$ 80,681

5. Investment Management and Administrative Agreements

RE Advisers has entered into investment management or administrative agreements (the Agreements) with the following Homestead Funds: Daily Income Fund, Short-Term Government Securities Fund, Short-Term Bond Fund, Value Fund, Growth Fund, Small-Company Stock Fund, International Value Fund, and Stock Index Fund (the Funds). The Funds are management investment companies registered with the SEC under the Investment Company Act of 1940. The Agreements provide for an annual investment management or administrative fee, depending upon the arrangement with that particular fund, computed daily and paid monthly based on each Fund's average daily net assets, at various rates as set forth in the Funds' prospectuses.

For the years ended December 31, 2011 and 2010, the Funds incurred the following management or administrative fees:

<i>December 31,</i>	2011	2010
Daily Income Fund	\$ 957,989	\$ 943,871
Short-Term Government Securities Fund	367,681	318,299
Short-Term Bond Fund	2,059,725	1,707,217
Value Fund	2,907,380	2,732,565
Growth Fund	209,162	156,520
Small-Company Stock Fund	1,340,821	694,811
International Value Fund	1,084,996	933,334
Stock Index Fund	154,777	135,090
Total	\$ 9,082,531	\$ 7,621,707

RE Investment Corporation and Subsidiary

Notes to Consolidated Financial Statements

RE Advisers has agreed, as part of the expense limitation agreements entered into with each Fund, to assume as its own liability all Fund operating expenses and certain other non-recurring expenses, that in any year exceed specified percentage amounts of the average daily net assets of each Fund, as set forth in the Funds' prospectuses. To pay such liability, RE Advisers will first waive or reduce its investment management fees or administrative fees as appropriate and, if necessary, will also assume as its own expense and reimburse each Fund for any additional excess amount. Additionally, in 2011 and 2010, RE Advisers voluntarily and temporarily reduced the expense limitation of the Daily Income Fund in order to assist the Fund in maintaining a minimum yield due to low interest rates. Pursuant to the expense limitation agreements and additional voluntarily waivers, \$1,037,210 and \$946,552 of management fees were waived from the Funds for the years ended December 31, 2011 and 2010, respectively. Additionally RE Advisers reimbursed \$66,802 in fees for the Daily Income Fund in 2011.

At December 31, 2011 and 2010, the Funds owed \$991,165 and \$877,237, respectively, to RE Advisers for management fees due and amounts paid on their behalf.

RE Advisers has other investment management agreements with unrelated entities. As of December 31, 2011 and 2010, RE Advisers' receivables from these companies were \$34,395 and \$32,840, respectively. Management fee income from these agreements was \$137,938 and \$123,271 for the years ended December 31, 2011 and 2010, respectively.

6. Regulatory Requirements

RE Investment is subject to the SEC Uniform Net Capital Rule (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, 2011, the Company had regulatory net capital of \$4,142,764 and a regulatory net capital requirement of \$81,004. The Company's ratio of aggregate indebtedness to regulatory net capital was .3 to 1 at December 31, 2011. On a stand-alone basis RE Investment has a ratio of aggregate indebtedness to regulatory net capital of 0 to 1 at December 31, 2011.

The following reconciles the Company's computation of net capital as reported in the unaudited Part IIA of Form X-17A-5 with the Company's computation contained herein:

Net capital as reported in the Company's Part IIA (unaudited)	
Focus Report	\$ 13,730
Plus cash balance of subsidiary	5,378,120
Less liabilities of subsidiary	(1,249,086)
<hr/>	
Net capital per above	<hr/> \$ 4,142,764

RE Investment operates under the provisions of Paragraph (k)(1) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of the rule. Essentially, the requirements of Paragraph (k)(1) provide that a broker/dealer whose transactions are limited to those involving redeemable securities of registered investment companies or of interests or participations in an insurance company separate account, and who transmits all funds and delivers all securities

RE Investment Corporation and Subsidiary

Notes to Consolidated Financial Statements

received in connection with his activities as a broker/dealer, and does not otherwise hold funds or securities for or owe money or securities to customers, is exempt.

7. Income Taxes

The Company is included in a consolidated income tax return filed by NRECA United, Inc., its parent company, and the provision for income taxes is computed on a separate company basis.

The Company accounts for income taxes under the asset and liability method, whereby, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. At December 31, 2011 and 2010, there was a deferred tax liability of \$34,029 and \$40,024, respectively, related to the tax on the unrealized gain on investments in mutual funds.

For the years ended December 31, 2011 and 2010, the provision for income taxes consists of:

	2011	2010
Current tax expense	\$ 189,649	\$ 299,526
Deferred tax expense	5,995	29,404
Provision for income taxes	\$ 195,644	\$ 328,930

The effective federal tax rates were 34% and 35% for the years ended December 31, 2011 and 2010, respectively.

8. Related Parties

At December 31, 2011 and 2010, the Company owed NRECA \$537,521 and \$197,482, respectively, for monthly services as described in Note 1 and other monthly operating expenses.

9. Subsequent Events

The Company evaluated subsequent events through February 24, 2012, which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these consolidated financial statements.

Supplementary Information

RE Investment Corporation and Subsidiary

Computation of Net Capital Pursuant to Rule 15c3-1 and Reconciliation Pursuant to Rule 17a-5(d)(4)

December 31, 2011

Computation of Net Capital Pursuant to Rule 15c3-1

Computation of Net Capital:

Total stockholder's equity from the consolidated statement of financial condition	\$ 6,130,449
Less: Nonallowable assets:	
Investments in Homestead Funds, at fair value	523,578
Accounts receivable	34,395
Due from Homestead Funds	991,165
Prepaid expenses and other assets	288,302
Deposits in escrow	150,245

Net capital	\$ 4,142,764
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Computation of Basic Net Capital Requirement:

Minimum net capital required, 6 2/3% of \$1,215,057, pursuant to Rule 15c3-1	\$ 81,004
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Minimum dollar net capital requirement of reporting broker-dealer	\$ 5,000
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Net capital requirement	\$ 81,004
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Excess net capital	\$ 4,061,760
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Computation of Aggregate Indebtedness:

Due to NRECA	\$ 537,521
Accrued liabilities	677,536

Total Aggregate Indebtedness Liabilities	\$ 1,215,057
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Percentage of aggregate indebtedness to net capital	30%
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Reconciliation Pursuant to Rule 17a-5(d)(4)

The following reconciles the Company's computation of net capital as reported in the unaudited Part IIA of Form X-17A-5 with the Company's computation contained herein:

Net capital as reported in the Company's Part IIA (unaudited) Focus Report	\$ 13,730
Plus cash balance of subsidiary	5,378,120
Less liabilities of subsidiary	(1,249,086)
Net capital per above	\$ 4,142,764



Independent Auditors' Report On Internal Control Required by Securities and Exchange Commission Rule 17a-5 For a Broker-Dealer Claiming an Exemption From SEC Rule 15c3-3

To the Board of Directors of
RE Investment Corporation and Subsidiary
Arlington, Virginia

In planning and performing our audit of the consolidated financial statements of RE Investment Corporation and Subsidiary (the Company) as of and for the year ended December 31, 2011, 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exceptive 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 previously 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.

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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 Company'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 previously.

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, 2011, 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 brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

BDO USA, LLP

Bethesda, Maryland
February 24, 2012