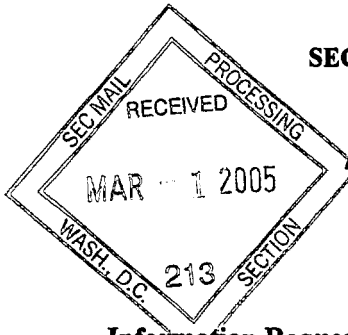




05040883

cm
3/23



SEC

MISSION

Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

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

SEC FILE NUMBER
8-44695

FACING PAGE

Information Requested 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 01/01/2004 AND ENDING 12/31/2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **INVEX, Inc. and Subsidiary**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1601 Elm Street, Suite 4224

(No. and street)

Dallas

(City)

Texas

(State)

75201

(Zip Code)

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

Gerardo Reyes Retana

214-979-0333

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

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

2200 Ross Avenue, Suite 1600

(Address)

Dallas

(City)

Texas

(State)

75201

(Zip Code)

CHECK ONE:

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

PROCESSED

B

MAR 29 2005

FOR OFFICIAL USE ONLY	
THOMSON FINANCIAL	

* 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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

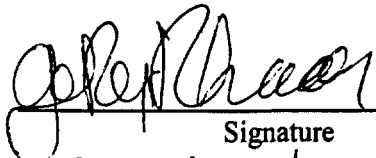
SEC 1410 (06-02)

Handwritten mark

Handwritten mark: 3/24

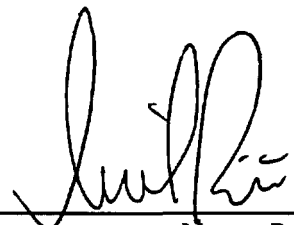
OATH OR AFFIRMATION

I, Gerardo Reyes Retana, swear that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedule pertaining to the firm of INVEX, Inc. (the "Company"), for the period from January 1, 2004 to December 31, 2004, are true and correct. I further swear 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.

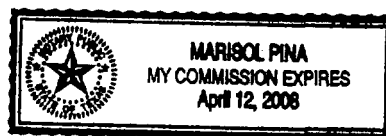


Signature
President

Title



Notary Public



This report contains (check all applicable boxes);

- (a) Facing page
- (b) Consolidated Statements of Financial Condition
- (c) Consolidated Statements of Operations
- (d) Consolidated Statements of Cash Flows
- (e) Consolidated Statements of Shareholder's Equity
- (f) Statement of changes in liabilities subordinated to claims of general creditors (not applicable)
- (g) Computation of net capital for brokers and dealers pursuant to Rule 15c3-1
- (h) Computation for determination of reserve requirements pursuant to Rule 15c3-3 (not applicable)
- (i) Information relating to the possession or control requirements for brokers and dealers under Rule 15c3-3 (not applicable)
- (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 (not applicable)
- (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 (not applicable)
- (n) A report describing the material inadequacies found to exist or found to have existed since the date of the previous audit (not applicable)
- (o) Independent auditors' report on internal accounting control
- (p) Schedule of segregation requirements and funds in segregation – customers' regulated commodity futures account pursuant to Rule 171-5 (not applicable)

***INVEX, Inc. and
Subsidiary***

***Consolidated Financial Statements and
Supplemental Schedule
Years Ended December 31, 2004 and 2003 and
Independent Auditors' Report and Supplemental
Report on Internal Control***

***Filed in accordance with Rule 17a-5(e)(3) under the Securities Exchange
Act of 1934***

INDEPENDENT AUDITORS' REPORT

Board of Directors
INVEX, Inc.

We have audited the accompanying consolidated statements of financial condition of INVEX, Inc., a Delaware corporation wholly owned by INVEX, Casa de Bolsa, S.A. de C.V. and subsidiary (the "Company") as of December 31, 2004 and 2003 and the related consolidated statements of operations, shareholder's equity and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of INVEX, Inc. and subsidiary as of December 31, 2004 and 2003 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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. This schedule is the responsibility of the Company's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 11, 2005

INVEX, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003
CASH AND CASH EQUIVALENTS	\$ 52,870	\$ 17,748
DEPOSITS WITH CLEARING BROKER	172,318	170,362
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	47,719,141	47,046,487
SECURITIES OWNED—At market value	9,601,350	8,657,582
RECEIVABLES FROM OTHER BROKERS AND DEALERS	649,048	237,007
RECEIVABLE FROM CLEARING BROKER	292,020	345,590
DEFERRED TAX ASSET—Net	219,913	143,077
INTEREST AND ACCOUNTS RECEIVABLE	72,230	33,446
FURNITURE AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION OF \$125,306 AND \$229,747 IN 2004 AND 2003, RESPECTIVELY	212,657	124,736
OTHER ASSETS	<u>76,629</u>	<u>130,756</u>
TOTAL	<u>\$59,068,176</u>	<u>\$56,906,791</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES:		
Payables to customers	\$47,638,162	\$47,004,462
Other liabilities	<u>371,466</u>	<u>296,865</u>
Total liabilities	<u>48,009,628</u>	<u>47,301,327</u>
SHAREHOLDER'S EQUITY:		
Common stock, \$1 par value—1,000 shares authorized, issued and outstanding	1,000	1,000
Additional paid-in capital	9,999,000	9,999,000
Accumulated earning (deficit)	<u>1,058,548</u>	<u>(394,536)</u>
Total shareholder's equity	<u>11,058,548</u>	<u>9,605,464</u>
TOTAL	<u>\$59,068,176</u>	<u>\$56,906,791</u>

See notes to consolidated financial statements.

INVEX, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
REVENUES:		
Commissions	\$ 4,771,003	\$ 4,876,532
Trading income—net		234,231
Interest income	<u>518,763</u>	<u>311,899</u>
Total revenues	<u>5,289,766</u>	<u>5,422,662</u>
EXPENSES:		
Trading losses—net	353,888	
Employee compensation and benefits	1,008,529	795,146
Subscriptions, dues and clearing fees	651,947	644,489
Communications	92,806	105,278
Professional fees	458,418	298,117
General and administrative	329,289	262,121
Interest expense	51,248	23,990
Occupancy and equipment rental	<u>81,936</u>	<u>68,945</u>
Total expenses	<u>3,028,061</u>	<u>2,198,086</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	2,261,705	3,224,576
PROVISION FOR INCOME TAXES	<u>(808,621)</u>	<u>(1,077,051)</u>
NET INCOME	<u>\$ 1,453,084</u>	<u>\$ 2,147,525</u>

See notes to consolidated financial statements.

INVEX, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY YEARS ENDED DECEMBER 31, 2004 AND 2003

	Common Stock	Additional Paid-In Capital	Accumulated Earning (Deficit)	Total
BALANCE—January 1, 2003	\$ 1,000	\$9,999,000	\$(2,542,061)	\$ 7,457,939
Net income	_____	_____	<u>2,147,525</u>	<u>2,147,525</u>
BALANCE—December 31, 2003	1,000	9,999,000	(394,536)	9,605,464
Net income	_____	_____	<u>1,453,084</u>	<u>1,453,084</u>
BALANCE—December 31, 2004	<u>\$ 1,000</u>	<u>\$9,999,000</u>	<u>\$ 1,058,548</u>	<u>\$11,058,548</u>

See notes to consolidated financial statements.

INVEX, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,453,084	\$ 2,147,525
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	54,668	36,265
Loss on sale of fixed assets	2,121	
Deferred tax provision (benefit)	(76,836)	756,361
(Increase) decrease in assets:		
Deposits with clearing broker	(1,956)	23,402
Securities purchased under agreements to resell	(672,654)	(30,455,031)
Securities owned—at market value	(943,768)	(2,401,672)
Receivables from other brokers and dealers	(412,041)	(46,817)
Receivable from clearing broker	53,570	(195,784)
Interest and accounts receivable	(38,784)	(10,599)
Other assets	54,127	(102,824)
Increase (decrease) in liabilities:		
Payables to customers	633,700	30,479,078
Other liabilities	74,601	(200,121)
Net cash provided by operating activities	<u>179,832</u>	<u>29,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(160,010)	(53,605)
Proceeds from sales of furniture and equipment	<u>15,300</u>	<u></u>
Net cash used in investing activities	<u>(144,710)</u>	<u>(53,605)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	35,122	(23,822)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>17,748</u>	<u>41,570</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 52,870</u>	<u>\$ 17,748</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—Cash paid during the year for:		
Interest	<u>\$ 51,248</u>	<u>\$ 23,990</u>
Income taxes	<u>\$ 810,000</u>	<u>\$ 623,500</u>

See notes to consolidated financial statements.

INVEX, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

1. ORGANIZATION

INVEX, Inc. ("INVEX"), a Delaware corporation, was incorporated on January 30, 1992 and received its broker/dealer registration from the Securities and Exchange Commission (the "SEC") on March 24, 1992. INVEX is wholly owned by INVEX, Casa de Bolsa, S.A. de C.V. (the "Parent") and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Parent's business activities include underwriting and proprietary trading in Mexican securities. The Parent is a member of the Mexican-based financial group, INVEX, Grupo Financiero, S.A. de C.V. (the "Group").

INVEX is an NASD-registered securities broker/dealer offering brokerage services for the Mexican clients of its Parent, as well as executing proprietary trading for the firm. The majority of the Company's revenue relates to commissions and markups attributable to customer transactions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of INVEX and its wholly owned subsidiary, INVEX USA (collectively, the "Company"), after the elimination of all intercompany balances and transactions.

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 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.

Cash and Cash Equivalents—Cash and cash equivalents include cash on deposit at banks and depository institutions. The Company considers all highly liquid investments (including commercial paper and money market funds) with maturities of three months or less to be cash equivalents.

Securities Transactions—Securities transactions, commission income and related expenses are recorded on a trade date basis. Securities owned and securities sold but not yet purchased are stated at quoted market values with unrealized gains and losses reflected in trading income or loss—net on the accompanying consolidated statements of operations. Commissions consist primarily of markups on bonds sold to customers.

Securities purchased under agreements to resell are collateralized financing transactions and are carried at the amounts at which the securities could have been subsequently resold, as of December 31, 2004 and 2003, as specified in the respective agreements plus accrued interest. As of December 31, 2004 and 2003, the securities purchased under agreements to resell have been pledged as collateral for the payables to customers and represent overnight transactions.

Securities inventory is carried at fair value, which is estimated based on quoted market prices for those or similar instruments (see Note 3). Changes in fair value of securities owned are recorded in the consolidated statements of operations as trading income or losses.

Furniture and Equipment—Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Income Taxes—Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

3. SECURITIES INVENTORY

The components of securities inventory at December 31, 2004 and 2003 are as follows:

	2004	2003
Domestic—U.S. Treasury securities	\$8,297,861	\$8,398,157
Foreign—debt instruments	<u>1,303,489</u>	<u>259,425</u>
	<u>\$9,601,350</u>	<u>\$8,657,582</u>

4. RECONCILIATION OF ASSETS, LIABILITIES AND SHAREHOLDER'S EQUITY

A reconciliation of the amounts reported in the Company's consolidated financial statements herein to amounts reported by the Company on its unconsolidated Part IIA of Form X-17A-5, filed with the SEC for the year ended December 31, 2004 is as follows:

	Part IIA of Form X-17A-5	Reclassi- fications	Adjustments	Consolidation of Subsidiaries	Financial Statements
Assets:					
Cash	\$ 52,570	\$ 300	\$ -	\$ -	\$ 52,870
Deposits with clearing broker		172,318			172,318
Securities purchased under agreements to resell				47,719,141	47,719,141
Securities owned—at market value	9,601,348			2	9,601,350
Receivables from other brokers and dealers	974,973	(757,035)		431,110	649,048
Receivable from clearing broker		292,020			292,020
Deferred tax asset—net		219,913			219,913
Interest and accounts receivable		72,784		(554)	72,230
Furniture and equipment—net of accumulated depreciation	212,657				212,657
Investment in subsidiaries	511,559		(22)	(511,537)	-
Other assets	76,929	(300)			76,629
Total	\$11,430,036	\$	\$ (22)	\$47,638,162	\$59,068,176
Liabilities:					
Payables to customers	\$ -	\$ -	\$ -	\$47,638,162	\$47,638,162
Payables to brokers or dealers	68	(68)			
Other liabilities	371,398	68			371,466
Total liabilities	371,466		-	47,638,162	48,009,628
Shareholder's equity	11,058,570		(22)		11,058,548
Total	\$11,430,036	\$	\$ (22)	\$47,638,162	\$59,068,176

5. TAXES

The Company uses an asset and liability approach for financial accounting and reporting for income taxes. This method gives consideration to the future tax consequences associated with carryforwards and with temporary differences between financial accounting and tax bases of assets and liabilities. These differences relate primarily to depreciation and loss carryforwards.

The Company has no significant permanent differences between the reported amount of income tax expense and the amount of income tax expense that would result from applying the federal statutory rates to pretax income from continuing operations. The difference between the statutory rate of 34% and the effective rate in 2004 is primarily due to the change in the valuation allowance. There is no significant difference in 2003 between the statutory rate and the effective rate.

The Company has a capital loss carryforward as of December 31, 2004 of approximately \$1,870,295, which can be used to offset future capital gains and expires in the following manner: \$1,446,935 in 2005, \$62,492 in 2007 and \$360,868 in 2009. A valuation allowance for a portion of the benefit related to the capital loss carryforward has been established because management believes it is more likely than

not that a portion of the asset will not be realized. Management increased the valuation allowance in 2004 due to changes in factors surrounding its assessment of the realizability of the deferred tax asset.

The following is a summary of the Company's provision for income taxes for the years ended December 31, 2004 and 2003:

	2004	2003
Current tax provision:		
Federal	\$ 753,641	\$ 1,073,921
Net operating loss utilization		(450,692)
Capital loss carryforward (utilization)	122,695	(90,150)
Alternative minimum tax provision (utilization)		(222,981)
State	<u>9,121</u>	<u>10,592</u>
	<u>885,457</u>	<u>320,690</u>
Deferred tax provision (benefit):		
Change in realizability of tax carryforwards	15,908	
Deferred tax provision (benefit)	<u>(92,744)</u>	<u>756,361</u>
	<u>(76,836)</u>	<u>756,361</u>
Provision for income taxes	<u>\$ 808,621</u>	<u>\$ 1,077,051</u>

The following is a summary of the tax effects of attributes that give rise to deferred tax assets and liabilities as of December 31, 2004 and 2003:

	2004	2003
Deferred taxes:		
Asset—capital loss carryforward	\$ 635,900	\$ 516,600
Liability—depreciation	<u>(27,874)</u>	<u>(1,318)</u>
Net deferred tax asset before valuation allowance	608,026	515,282
Valuation allowance	<u>(388,113)</u>	<u>(372,205)</u>
Net deferred tax asset	<u>\$ 219,913</u>	<u>\$ 143,077</u>
Valuation allowance—beginning of year	\$ 372,205	\$ 372,205
Change in realization of tax carryforwards	<u>15,908</u>	<u> </u>
Valuation allowance—end of year	<u>\$ 388,113</u>	<u>\$ 372,205</u>

6. TRANSACTION WITH CLEARING BROKERS

The Company clears its U.S. securities transactions and customers' transactions on a fully disclosed basis through nonaffiliated clearing brokers.

7. NET CAPITAL REQUIREMENT

The Company is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1"). The Company has elected to compute minimum net capital under the Alternative Net Capital method under Rule 15c3-1(f), which requires maintenance of minimum net capital of the greater of 2% of aggregate debit items or \$250,000 at December 31, 2004 and 2003. At December 31, 2004 and 2003, the Company had net capital as defined by Rule 15c3-1(f) of \$8,489,199 and \$8,639,270, respectively, which was \$8,239,199 and \$8,389,270 in excess of the required minimum net capital, respectively.

8. COMMITMENTS

The Company leases office space under an operating lease. The lease expires on March 31, 2009 and provides for minimum annual rentals, which are subject to escalation clauses for operating costs and real estate taxes. The future minimum lease payments for the Company are as follows:

Year Ending December 31	
2005	\$ 85,921
2006	85,921
2007	85,921
2008	85,921
2009	<u>21,480</u>
Total	<u>\$ 365,164</u>

Rent expense amounted to \$54,590 and \$50,356, net of sublease income of approximately \$31,331 and \$25,178, for the years ended December 31, 2004 and 2003, respectively.

9. OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK

In the normal course of business, the Company's securities transactions involve executions and settlements of various securities transactions as principal. These activities may expose the Company to risk in the event that counterparties are unable to fulfill contractual obligations.

The Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company. The introduced customers are generally institutional or high-net-worth retail customers.

The Company's policy is to take possession of securities purchased under agreements to resell. The Company monitors the market value of the assets acquired to ensure their adequacy as compared to the amount at which the securities will be subsequently resold, as specified in the respective agreements. The agreements provide that, where appropriate, the Company may require the delivery of additional collateral.

10. RELATED PARTY TRANSACTIONS

The Company paid an annual fee totaling \$100,000 and \$50,000 to the Parent during 2004 and 2003, respectively, for use of the name "INVEX." This fee is included in professional fees in the accompanying consolidated statements of operations.

In January 2004, INVEX paid the Parent \$36,000 to provide services to INVEX relating to software and technology maintenance. This expense was for January through December 2004. Also in January 2004, INVEX paid the Parent \$45,900 for the continued development of a trading software system and specifically for the right to use this system developed by the Parent.

The Company has approximately \$19,718 and \$23,569 of receivables at December 31, 2004 and 2003, respectively, from employees related to personal expenses on the employees' corporate charge cards and cell phone charges. Such amounts are included in interest and accounts receivable in the accompanying consolidated statements of financial condition.

* * * * *

**UNCONSOLIDATED COMPUTATION OF NET CAPITAL
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1
UNDER THE SECURITIES EXCHANGE ACT OF 1934
DECEMBER 31, 2004**

NET CAPITAL—Total shareholder’s equity from statements of financial condition	<u>\$11,058,548</u>
DEDUCT—Nonallowable assets:	
Deferred tax asset	219,913
Receivables	244,802
Investments in and receivables from subsidiary	511,559
Furniture and equipment	212,657
Other assets	<u>76,929</u>
Total nonallowable assets	<u>1,265,860</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	<u>9,792,688</u>
DEDUCT—Haircuts on securities:	
Debt securities	1,303,489
Other securities	<u> </u>
Total haircuts on securities	<u>1,303,489</u>
NET CAPITAL	<u>\$ 8,489,199</u>
CAPITAL REQUIREMENT—Greater of 2% of aggregate debit items as shown in formula for reserve requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation (\$0) or \$250,000	\$ 250,000
NET CAPITAL IN EXCESS OF REQUIREMENT	<u>8,239,199</u>
NET CAPITAL AS ABOVE	<u>\$ 8,489,199</u>

There are no material differences between the net capital amount above and the amount reported on the Company’s unaudited Focus report.

February 11, 2005

INVEX, Inc.
1601 Elm Street, Suite 4224
Dallas, Texas 75201

In planning and performing our audit of the consolidated financial statements of INVEX, Inc., a Delaware corporation wholly owned by INVEX, Casa de Bolsa, S.A. de C.V. and subsidiary (the "Company") for the year ended December 31, 2004 (on which we issued a report dated February 11, 2005), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 acquisition, 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation (including 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 Commission 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, 2004, to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., 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.

Yours truly,

Deloitte & Touche LLP