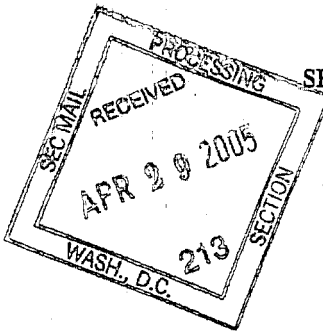


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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER
B- 5072

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Advantage Capital Corporation

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

2300 Windy Ridge Parkway, Suite 1100

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Atlanta

GA

30309

(City)

(State)

(Zip Code)

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

Steven E. Rothstein

770 858-6841

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PriceWaterhouseCoopers, LLP

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

10 Tenth Street, Suite 1400

Atlanta

GA

30309-3851

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
MAY 05 2005
THOMSON FINANCIAL

PROCESSED
MAY 05 2005
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

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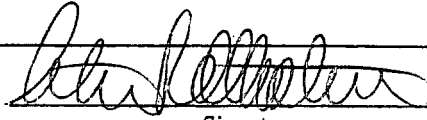
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Handwritten mark

OATH OR AFFIRMATION

I, Steven E. Rothstein, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Advantage Capital Corporation, as of December 31, 2004, 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:

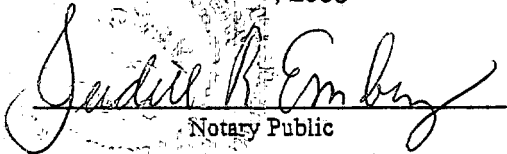
Judith R. Embry
Notary Public
Cobb County GA
June 17, 2006



Signature

Chief Financial Officer

Title



Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 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.
- (o) Report of Independent Auditors on Internal Control Required by SEC Rule 17a-5

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Index

December 31, 2004

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Report of Independent Auditors

To the Stockholder and Board of Directors of
Advantage Capital Corporation:

We have audited the accompanying statement of financial condition of Advantage Capital Corporation (the "Company") as of December 31, 2004, and the related statements of operations, of changes in stockholder's equity and of cash flows for the year then ended. 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 audit.

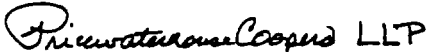
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 audit provides 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 Advantage Capital Corporation at December 31, 2004, 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.

As discussed in note 2, the Company has restated opening retained earnings as of December 31, 2003.

The Company is a member of a group of affiliated companies and, as disclosed in the financial statements, has extensive transactions and relationships with members of the group. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Supplementary Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 PricewaterhouseCoopers LLP

April 27, 2005

Advantage Capital Corporation

An indirect wholly-owned subsidiary of American International Group, Inc.

Statement of Financial Condition

December 31, 2004

(in thousands of dollars, except share amounts)

Assets

Cash and cash equivalents	\$	8,929
Cash segregated under federal and other regulations		336
Deposits with clearing organizations and others		121
Receivables from broker-dealers and clearing organizations		1,101
Receivables from investment advisors		760
Securities owned, at market value		2
Security pledged to insurance company		76
Notes and accounts receivable from registered representatives		129
Furniture, equipment, leasehold improvements and software, at cost, less accumulated depreciation and amortization of \$2,765		799
Goodwill		7,150
Deferred taxes		1,214
Prepaid expenses and other assets		261
Total assets	\$	<u>20,878</u>

Liabilities and Stockholder's Equity

Commissions payable	\$	1,151
Accounts payable and accrued expenses		136
Payables to broker-dealers and clearing organizations		22
Securities sold, not yet purchased		12
Due to affiliates, net		247
Income taxes payable to Parent		95
Other liabilities		747
Total liabilities		<u>2,410</u>

Commitments and contingencies (Note 10)

Stockholder's equity

Common stock - \$1 par value; 13,850 shares authorized; 13,850 shares issued and outstanding		14
Additional paid-in capital		17,269
Retained earnings		1,185
Total stockholder's equity		<u>18,468</u>
Total liabilities and stockholder's equity	\$	<u>20,878</u>

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

Advantage Capital Corporation

An indirect wholly-owned subsidiary of American International Group, Inc.

Statement of Operations

Year Ended December 31, 2004

(in thousands of dollars)

Revenues

Commissions	\$	21,248
Investment advisory fees		4,327
Sponsor revenue		2,454
Interest income		45
Other income		2,355
Total revenues		<u>30,429</u>

Expenses

Commissions		19,696
Investment advisory fees		2,250
Marketing and meeting expense		563
General and administrative		5,700
Total expenses		<u>28,209</u>
Income before income taxes		2,220
Provision for income taxes		<u>(780)</u>
Net income	\$	<u>1,440</u>

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

Advantage Capital Corporation

An indirect wholly-owned subsidiary of American International Group, Inc.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2004

(in thousands of dollars, except share amounts)

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-In Capital	Earnings	
Balances at December 31, 2003, as previously reported	13,850	\$ 14	\$ 16,494	\$ 960	\$ 17,468
Prior period adjustment (Note 2)	-	-	15	(15)	-
Balance at December 31, 2003, as restated	13,850	\$ 14	\$ 16,509	\$ 945	\$ 17,468
Dividends paid to Parent	-	-	-	(1,200)	(1,200)
Capital contribution from Parent	-	-	760	-	760
Net income	-	-	-	1,440	1,440
Balances at December 31, 2004	<u>13,850</u>	<u>\$ 14</u>	<u>\$ 17,269</u>	<u>\$ 1,185</u>	<u>\$ 18,468</u>

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

Advantage Capital Corporation

An indirect wholly-owned subsidiary of American International Group, Inc.

Statement of Cash Flows

Year Ended December 31, 2004

(in thousands of dollars)

Cash flows from operating activities

Net income	\$ 1,440
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	432
Deferred taxes	386
(Increase) decrease in operating assets	
Cash segregated under federal and other regulations	11
Receivables from broker-dealers and clearing organizations	(246)
Receivables from investment advisors	(68)
Securities owned, net	157
Securities pledged to insurance company	8
Notes and accounts receivable from registered representatives	(70)
Prepaid expenses and other assets	115
Increase (decrease) in operating liabilities	
Commissions payable	(77)
Accounts payable and accrued expenses	(394)
Payables to broker dealers and clearing organizations	18
Payables to affiliates, net	315
Income taxes receivable from Parent	95
Other liabilities	693
Net cash provided by operating activities	<u>2,815</u>
Cash flows from financing activities	
Capital contribution from Parent	760
Dividend paid to Parent	(1,200)
Net cash used in financing activities	<u>(440)</u>
Net increase in cash and cash equivalents	2,375
Cash and cash equivalents - beginning of year	<u>6,554</u>
Cash and cash equivalents - end of year	<u>\$ 8,929</u>
Supplemental cash flow information	
Income tax payments (paid to Parent)	<u>\$ 204</u>

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

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Notes to Financial Statements

December 31, 2004

1. Organization and Operations

General

Advantage Capital Corporation (the "Company") is a wholly-owned subsidiary of AIG Advisor Group, Inc. ("AIG AG" or the "Group"), which in turn is a wholly-owned subsidiary of SunAmerica Investments, Inc. ("SAII"). SAII is a wholly-owned subsidiary of AIG SunAmerica, Inc. (the "Parent" or "AIG SunAmerica"), which is wholly owned by American International Group, Inc. ("AIG"). The Company is a broker-dealer registered with the National Association of Securities Dealers, Inc. and the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, and an investment advisor registered under the Investment Advisors Act of 1940. The Company's primary business is the sale of financial products through its independent registered representatives. The Company's registered representatives sell financial products sponsored by AIG SunAmerica and other affiliates (collectively, the "Affiliates"), as well as other unaffiliated companies. The Company clears all transactions through an unaffiliated broker-dealer on a fully disclosed basis.

2. Significant Accounting Policies

Commissions Revenue and Commissions Expense

Commissions revenue and commissions expense are recorded on a trade date basis as securities transactions occur.

Sponsor Revenue and Related Marketing and Meeting Expense

The Company receives sponsor revenues from various mutual funds, variable annuities, investment advisors and insurance companies (the "Sponsors") related to sales by the Company's registered representatives of mutual fund, variable annuity and other products of the Sponsors, as well as in return for Sponsors attending the Company's representative meetings. The Company records sponsor revenues when earned. The Company incurs expenses related to conventions and other events to provide Sponsors with access to the Company's registered representatives. The Company records marketing and meeting expenses when incurred.

Investment Advisory Income

Investment advisory fees are recognized as earned over the term of the advisory period.

Securities Transactions

Securities transactions are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions are recorded on a trade date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the Statement of Financial Condition.

Securities owned, at market value, consisting primarily of equities, mutual funds and corporate bonds, are carried at market with unrealized gains and losses reflected in the Statement of Operations.

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Notes to Financial Statements

December 31, 2004

Statement of Cash Flows

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

Notes Receivable from Registered Representatives

Notes receivable from registered representatives consist of interest bearing loans with maturities ranging from one to five years.

The Company also makes loans or pays advances to independent reps as part of its hiring and retention process. Reserves are established on these receivables if the rep is no longer associated with the Company and the receivable has not been promptly repaid (older than 90 days) or if it is determined that it is probable the amount will not be collected.

A portion of these loans will be forgiven over a period of time (generally 5 years) if the representative meets certain operating and gross dealer concession levels.

Furniture, Equipment, Leasehold Improvements and Software

Furniture, equipment, leasehold improvements and software are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is provided on a straight-line basis over the useful lives of the assets, currently estimated to be three to eight years.

Goodwill

Goodwill is tested for impairment annually or when an event occurs or circumstances change that signify the existence of impairment. As part of its test for impairment, the Company considers a number of factors including profitability and the fair value of the Company compared to its net book value.

Officer Compensation

Certain officers of the Company participate in a compensation plan provided by an affiliate of the Parent. The Company records compensation expense earned by officers under this plan as general and administrative expenses in the accompanying Statement of Operations. As the settlement of the liability associated with the compensation expense is made by the affiliate of the Parent, a corresponding capital contribution is recorded for the amount of the compensation expense.

Income Taxes

The Company is included in the AIG consolidated federal income tax return. Federal income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

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

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Notes to Financial Statements

December 31, 2004

liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Period Adjustment

The Company did not appropriately record executive compensation expense totaling \$15,000 awarded by the Parent and/or its affiliates for the year ended December 31, 2003. The effect of this transaction resulted in an overstatement of 2003 net income and retained earnings of \$15,000. Additional paid in capital was understated by \$15,000 at December 31, 2003. These corrections are reflected in the accompanying Statement of Changes in Stockholder's Equity as of the beginning of the period.

3. Cash Segregated Under Federal and Other Regulations

Cash of approximately \$336,000 as of December 31, 2004 is segregated under provisions of the Securities Exchange Act of 1934 and represents funds deposited by customers as a result of mutual fund trades and breakpoint refund reserves.

4. Receivable From and Payable to Broker-Dealers and Clearing Organizations

Amount receivable from and payable to broker-dealers and clearing organizations at December 31, 2004 consist of the following:

(in thousands of dollars)

	<u>Receivable</u>	<u>Payable</u>
Receivable from clearing broker	\$ 630	\$ -
Fees and commissions receivable	471	-
Payable to broker dealers and clearing organizations	-	22
	<u>\$ 1,101</u>	<u>\$ 22</u>

5. Furniture, Equipment, Leasehold Improvements and Software

Furniture, equipment, leasehold improvements and software consist of the following as of December 31, 2004:

(in thousands of dollars)

Furniture equipment, leasehold improvements and software, at cost	\$ 3,564
Less accumulated depreciation and amortization	(2,765)
	<u>\$ 799</u>

Depreciation and amortization expense totaled approximately \$432,000 for the year ended December 31, 2004 and is reflected in general and administrative expenses in the accompanying Statement of Operations.

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Notes to Financial Statements

December 31, 2004

6. Securities Owned

Securities owned at December 31, 2004 are summarized as follows:

<i>(in thousands of dollars)</i>	Securities Owned	Securities Sold, Not Yet Purchased
Mutual fund shares	\$ 2	\$ -
Corporate stocks and bonds	-	12
	<u>\$ 2</u>	<u>\$ 12</u>

7. Related Party Transactions

The terms of agreements with affiliates may not necessarily be indicative of the terms that would have existed if the Company operated as an unaffiliated entity.

Commissions revenue for the year ended December 31, 2004 includes \$900,000 earned on sales of mutual funds and insurance products sponsored by Affiliates. Commissions expense for the year ended December 31, 2004 includes \$806,000 paid on sales of products sponsored by Affiliates.

The Company's sponsor revenues are determined, collected and allocated by Financial Securities Corporation, an affiliate, for all broker dealers owned by the Group. The Company's portion of gross sponsor revenue for the year ended December 31, 2004 was approximately \$2,454,000.

The Group negotiates insurance policies for the entire Group and allocates the expense to each individual broker-dealer. For the year ended December 31, 2004, the Company was allocated \$60,498 for these expenses, which is reflected in general and administrative expense in the accompanying Statement of Operations.

The Company is reimbursed by its registered representatives to recover insurance, licensing and other costs. Total amounts reimbursed to the Company amounted to \$914,715 during the year ended December 31, 2004, which is reflected as other income in the Statement of Operations.

The Parent pays for expenses related to the Group's internal software and allocates a portion to each broker-dealer. The Company's portion of allocated software expense amounted to \$311,000 for the year ended December 31, 2004, which is reflected as general and administrative expenses in the Statement of Operations.

The Company's back office processing is performed by Financial Service Corporation ("FSC"). FSC is an affiliate of the Company, and is also a wholly-owned subsidiary of AIG Advisor Group. Overhead costs, including labor costs incurred by FSC on behalf of ACC, are allocated to the Company. Total reimbursements from the Company to FSC were \$2,026,704 for the year ended December 31, 2004, which is reflected in general and administrative expense in the Statement of Operations.

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Notes to Financial Statements

December 31, 2004

8. Income Taxes

The components of the provision for income taxes at December 31, 2004 are as follows:

(in thousands of dollars)

Current		
Federal	\$	399
State		(5)
		<u>394</u>
Deferred		
Federal		<u>386</u>
		<u>386</u>
Total	\$	<u>780</u>

Deferred tax assets and liabilities principally arise as a result of temporary differences from depreciation and deferred compensation.

9. Net Capital Requirements

Under Rule 15c3-1 of the Securities Exchange Act of 1934 (the "Rule"), the Company is required to maintain a minimum net capital amount. The Company elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or two percent of aggregate debit balances. At December 31, 2004, the Company had net capital of \$7,430,000, which was \$7,180,000 in excess of the amount required. The Company had no debit items at December 31, 2004.

The Company claims exemption from SEC Rule 15c3-3 of the Securities and Exchange Commission under paragraph k(2)(i) and (k)(2)(ii) of the Rule.

10. Commitments and Contingencies

In the normal course of business the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of loss to be remote.

Litigation

The Company is involved in various claims and lawsuits arising in the normal conduct of its business. Such claims and lawsuits are generally covered under Errors and Omissions insurance provided by an affiliate of AIG. In the opinion of management, except for the matter discussed below, the amounts which will ultimately be required, if any, in connection with these matters will have no material effect on the financial position or the results of operations of the Company.

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Notes to Financial Statements

December 31, 2004

During the year ended December 31, 2004, the Company accrued \$671,000 for potential losses arising from regulatory assessments associated with mutual fund and variable annuity directed brokerage arrangements.

Deferred Compensation

AIG SunAmerica has established a nonqualified deferred compensation plan in which certain of the Company's registered representatives may elect to participate along with registered representatives of other affiliated companies on a national basis. The amounts owed by the Company are paid into a trust account maintained by an unaffiliated company. The value of the deferred compensation fluctuates with the value of the deferred investment alternatives chosen. AIG has provided a full and unconditional guarantee of the obligations to pay the deferred compensation under the plan.

Clearing Broker-dealer

In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities transactions. The Company uses a clearing broker-dealer to execute certain customer transactions. Such transactions may expose the Company and the clearing broker-dealer to significant off balance-sheet-risk in the event margin requirements are not sufficient to fully cover losses, which customers may incur. In the event that customers fail to satisfy their obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customers' obligations. The Company does not expect nonperformance by customers.

Parent Company

The Company's ultimate parent, AIG, has announced that it has delayed filing its Annual Report on Form 10-K for the year ended December 31, 2004 to allow AIG's Board of Directors and new management adequate time to complete an extensive review of AIG's books and records. The review includes issues arising from pending investigations into non-traditional insurance products and certain assumed reinsurance transactions by the Office of the Attorney General for the State of New York and the Securities and Exchange Commission and from AIG's decision to review the accounting treatment of certain additional items. Circumstances affecting AIG can have an impact on the Company. Accordingly, we can give no assurance that any further changes in circumstances for AIG will not impact us. While the outcome of this investigation is not determinable at this time, management believes that the ultimate outcome will not have a material adverse effect on Company operating results, cash flows or financial position.

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Computation of Net Capital Under SEC Rule 15c3-1

December 31, 2004

Schedule I

(in thousands of dollars)

Stockholder's equity	\$	18,468
Less non-allowable assets		
Other unsecured receivables		(857)
Unsecured customer debits held at clearing broker		(20)
Prepaid expenses and other assets		(905)
Furniture, equipment, leasehold improvements and software, net		(799)
Goodwill		(7,150)
Deferred taxes		(1,214)
Net capital before haircuts on securities positions		7,523
Other deductions and/or charges (Fidelity Bond)		(20)
Less haircuts on securities owned, including pledged security		(73)
Net capital		7,430
Alternative minimum net capital requirement		(250)
Excess net capital	\$	<u>7,180</u>

Reconciliation with the Company's computation (included in Part II of Form X-17A-5 as of December 31, 2004).

(in thousands of dollars)

Net capital as reported in Part II (unaudited) Focus Report	\$	6,838
Correct fidelity bond deduction		50
Unsecured customer debits held at clearing broker		(20)
GAAP ledger adjustment		19
Accrued adjustments		530
Additional accrual directed brokerage arrangement		(265)
Provision for taxes		(232)
Adjust legal liability		510
Net capital per above	\$	<u>7,430</u>

Advantage Capital Corporation

An indirect wholly owned subsidiary of American International Group, Inc.

Computation For Reserve Requirements and Information Relating to Possession or Control Requirements Pursuant to SEC Rule 15c3-3

December 31, 2004

Schedule II

The Company has claimed exemption from SEC Rule 15c3-3 under sub paragraph (k)(2)(i) and (k)(2)(ii).

**Report of Independent Auditors on Internal
Control Required by SEC Rule 17a-5**

To the Stockholder and Board of Directors of
Advantage Capital Corporation:

In planning and performing our audit of the financial statements and supplemental schedules of Advantage Capital Corporation (the "Company") for the year ended December 31, 2004, 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 financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11);
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; and
3. 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. 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; and
2. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3;

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 control 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 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 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.

PriceWaterhouseCoopers LLP

April 27, 2005