

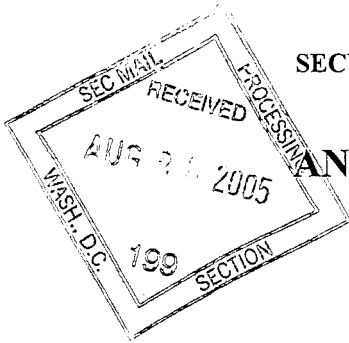


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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 12/1/04 AND ENDING 06/30/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Avondale Partners, LLC

OFFICIAL USE ONLY

FIRM I.D. NO.

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

3102 West End Avenue

(No. and Street)

Nashville

(City)

TN

(State)

37203

(Zip Code)

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

Joel D Oertling

615-467-3514

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KRAFTCPAs, PLLC

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

555 Great Circle Rd

(Address)

Nashville

(City)

TN

(State)

37228

(Zip Code)

CHECK ONE:

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

PROCESSED
SEP 02 2005
7:00 PM

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)

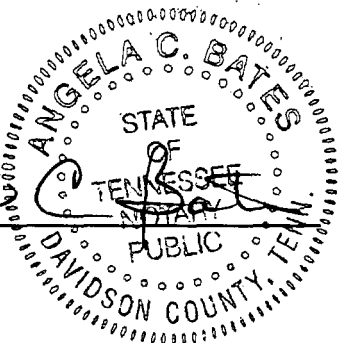
OATH OR AFFIRMATION

I, Joel Dextling, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Avondale Partners, LLC, as of June 30, 20 05, 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.

Joel Dextling
Signature

VP Finance
Title

Angela C. Bates
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 Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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.
- (o) Independent Auditor's Report on Internal Control

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

AVONDALE PARTNERS, LLC
NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, FORM X-17A-5, PART III,
SUPPLEMENTAL SCHEDULES
AND
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2005

AVONDALE PARTNERS, LLC
NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, FORM X-17A-5, PART III,
SUPPLEMENTAL SCHEDULES
AND
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

Executive Committee and Member
Avondale Partners, LLC
Nashville, Tennessee

We have audited the accompanying statement of financial condition of Avondale Partners, LLC (the "Company") as of June 30, 2005, and the related statements of operations, changes in member's equity, changes in subordinated borrowings and cash flows for the seven months 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 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 Avondale Partners, LLC at June 30, 2005, and the results of its operations and its cash flows for the seven months then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules 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.

KraftCPAs PLLC

Nashville, Tennessee
August 15, 2005

AVONDALE PARTNERS, LLC
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 2005

ASSETS

Cash	\$ 4,193,078
Deposits with clearing broker	433,103
Receivable from clearing broker	663,872
Receivables from investment banking clients	666,340
Receivable from related parties - Note 5	83,080
Marketable securities	353,737
Prepaid expenses and other assets - Note 3	163,376
Furniture, equipment and improvements - at cost, less accumulated depreciation - Note 4	<u>307,416</u>
 TOTAL ASSETS	 <u>\$ 6,864,002</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses - Notes 5 and 9	\$ 2,162,065
Marketable securities sold, not yet purchased, at market value - Note 7	<u>25,375</u>

TOTAL LIABILITIES 2,187,440

COMMITMENTS - Note 6

MEMBER'S EQUITY 4,676,562

TOTAL LIABILITIES AND MEMBER'S EQUITY \$ 6,864,002

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

AVONDALE PARTNERS, LLC

STATEMENT OF OPERATIONS

FOR THE SEVEN MONTHS ENDED JUNE 30, 2005

REVENUES

Commission income	\$ 3,490,785
Interest and dividend income	63,429
Principal transactions	2,342,369
Investment banking income	2,579,327
Other - Note 6	164,202

TOTAL REVENUES 8,640,112

EXPENSES

Compensation and benefits - Note 5	6,350,562
Floor brokerage and clearance fees	834,976
Communication and technology	582,847
Interest	23,801
Occupancy	385,063
Advertising and market development	650,048
Other - Note 5	363,969

TOTAL EXPENSES 9,191,266

NET LOSS \$ (551,154)

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

AVONDALE PARTNERS, LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY

FOR THE SEVEN MONTHS ENDED JUNE 30, 2005

BALANCE - DECEMBER 1, 2004	\$ 4,727,941
Member's capital contributions - Note 5	815,445
Member's capital distributions - Note 5	(315,670)
Net loss for the period	<u>(551,154)</u>
BALANCE - JUNE 30, 2005	<u>\$ 4,676,562</u>

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

AVONDALE PARTNERS, LLC

STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS

FOR THE SEVEN MONTHS ENDED JUNE 30, 2005

BALANCE - DECEMBER 1, 2004	\$	-
Increase in subordinated borrowings		6,000,000
Decrease in subordinated borrowings		<u>(6,000,000)</u>
BALANCE - JUNE 30, 2005	\$	<u>-</u>

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

AVONDALE PARTNERS, LLC

STATEMENT OF CASH FLOWS

FOR THE SEVEN MONTHS ENDED JUNE 30, 2005

OPERATING ACTIVITIES

Net loss	\$ (551,154)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	102,112
Loss on disposal of furniture and equipment	(1,000)
(Increase) decrease in operating assets:	
Deposits with clearing broker	(161,402)
Receivable from clearing broker	153,612
Receivable from customers	(587,970)
Receivable from related parties	3,413
Marketable securities owned	(140,325)
Prepaid expenses	(26,766)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(474,013)
Marketable securities sold, not yet purchased	<u>22,934</u>
Total Adjustments	<u>(1,109,405)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,660,559)</u>
INVESTING ACTIVITIES	
Purchase of furniture and equipment	(114,149)
Proceeds from sale of furniture and equipment	<u>1,000</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(113,149)</u>

(continued on next page)

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

AVONDALE PARTNERS, LLC

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SEVEN MONTHS ENDED JUNE 30, 2005

FINANCING ACTIVITIES

New borrowings	6,000,000
Payments on borrowings	(6,000,000)
Payment of prior year's accrued liability for distribution to member	(100,000)
Member's cash capital contributions	815,445
Member's cash capital distributions	<u>(315,670)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES 399,775

NET DECREASE IN CASH (1,373,933)

CASH - beginning of year 5,567,011

CASH - end of year \$ 4,193,078

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash payments for:	
Interest expense	<u>\$ 23,801</u>

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

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Avondale Partners, LLC (the "Company") is a Tennessee limited liability company, which is wholly-owned by Avondale Group, LLC, a Tennessee limited liability company.

The Company is engaged in three primary lines of business as a securities broker-dealer, which include equity research, investment banking, and equity capital markets, primarily for institutional investors. The Company is headquartered in Nashville, Tennessee, with offices in Yardley, Pennsylvania, Boston, Massachusetts, and San Diego, California.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fiscal year

Effective December 1, 2004, the Company changed its fiscal reporting year from November 30 to June 30 for financial statement purposes. Accordingly, the accompanying financial statements are presented as of and for the seven-month period ended June 30, 2005. Tax returns are filed on a December 31 calendar year basis.

Use of estimates in the preparation of financial statements

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 revenues and expenses during the period. Actual results could differ from those estimates.

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2005, the Company had no cash equivalents.

Deposits with clearing broker

In connection with its proprietary account with First Clearing Corporation, that was in use until April 2005, the Company agreed to maintain a deposit account equal to or greater than the margin requirements on securities, with a minimum balance of \$100,000. A similar agreement requiring a \$100,000 minimum balance was entered into in April 2005 with National Financial Services, LLC.

Securities transactions

Gains and losses arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. All of the Company's trading activities were cleared through First Clearing Corporation until April 2005, when the Company changed to National Financial Services, LLC.

Marketable securities are valued at market value, and securities not readily marketable are valued at estimated fair value as determined by management. Marketable securities sold, not yet purchased are reported at the current market value at which the related securities could be purchased on the measurement date.

Furniture, equipment and improvements

Furniture, equipment and improvements are recorded at cost. Depreciation is computed on an accelerated method over the estimated useful lives of the assets, which range from 1½ to 7 years.

Prepaid expenses and other assets

Prepaid expenses and other assets are reported at net amortized cost. Prepaid assets are amortized by the straight-line method over the life of the asset.

Advertising and market development costs

Advertising and market development costs are expensed as incurred.

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, all taxable income, gains and losses of the Company are passed through to the member. The Company is only liable for state income taxes.

Temporary differences between the financial statement and income tax bases of the Company's assets and liabilities are not significant. Accordingly, deferred state income taxes have not been provided.

Revenue recognition

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

Interest income is accrued and recognized in the period earned. Dividends are recognized on the ex-dividend date.

Principal transaction revenues are recorded as the difference between the acquisition cost of the security and the selling price or current fair market value and are comprised of realized and unrealized gains (losses) on security transactions.

Investment banking income includes gains, losses, and fees, net of syndication expenses, arising from securities offerings in which the Company acts as an underwriter or agent. The Company recognizes investment banking income on the offering date, sales commissions on the trade date, and underwriting fees at the time the underwriting is completed and income is reasonably determinable. Retainers are recognized in the period received or receivable.

Other income results primarily from the sublease of a portion of the Company's Nashville office space.

Payments to members of related parties

Payments to members of related parties are intended as compensation for services rendered and are accounted for as compensation and benefits expense rather than allocations of net income or loss.

Interest expense

The Company may from time to time finance its securities positions through a margin account with its clearing broker. The margin account bears interest at a market rate that fluctuates daily.

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk

The Company generally maintains cash and cash equivalents on deposit at banks and brokers in excess of federally insured amounts. Statement of Financial Accounting Standards No. 105 identifies this condition as a concentration of credit risk requiring disclosure. The Company has not experienced any losses in such accounts. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

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

NOTE 3 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following at June 30, 2005:

Prepaid insurance and medical benefits	\$ 46,334
Miscellaneous other prepaid expenses	85,919
Deposits	25,109
Other	<u>6,014</u>
Total	<u>\$ 163,376</u>

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 4 - FURNITURE, EQUIPMENT AND IMPROVEMENTS

Furniture, equipment and improvements consist of the following at June 30, 2005:

Furniture and fixtures	\$ 65,069
Technology equipment	499,732
Office equipment	83,346
Leasehold improvements	<u>39,115</u>
	687,262
Accumulated depreciation	<u>(379,846)</u>
Furniture, equipment and improvements, net	<u>\$ 307,416</u>

Depreciation expense for the seven months ended June 30, 2005, totaled \$102,112.

NOTE 5 - TRANSACTIONS WITH AFFILIATES

Receivables from related parties

During 2005, the Company paid various expenses on behalf of Avondale Group, LLC (its member) and Avondale Equity Partners, LLC (a member of Avondale Group, LLC). As of June 30, 2005, the Company has a receivable from Avondale Group, LLC of \$67,912 and a receivable from Avondale Equity Partners, LLC of \$15,168

Payables to employees

As of June 30, 2005, the Company had payables of \$29,722 to various employees for expense reimbursements reported in accounts payable and accrued expenses.

Payments to members of related parties

During the seven months ended June 30, 2005, the Company paid compensation and guaranteed payments totaling approximately \$4,181,000 to employees who are also members of related parties.

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 6 - COMMITMENTS

The Company leases office space in Nashville, Tennessee, San Diego, California, and Yardley, Pennsylvania, under non-cancelable operating leases that expire February 2011, April 2007 and February 2006, respectively. Certain other space is leased in Boston, Massachusetts under a verbal arrangement. The Company subleases a portion of its Nashville office space to an outside party under a non-cancelable sublease agreement, which expires in February 2011.

The Company also subscribes to communication and data services and leases office equipment under cancelable contracts that expire over the next three fiscal years.

As of June 30, 2005, aggregate future lease commitments and sublease rental income total the following:

	<u>Lease Commitments</u>	<u>Sublease Rental Income</u>	<u>Net Commitment</u>
Fiscal year 2006	\$ 789,602	\$ (199,216)	\$ 590,386
Fiscal year 2007	790,805	(213,992)	576,813
Fiscal year 2008	771,721	(221,972)	549,749
Fiscal year 2009	797,625	(229,948)	567,677
Fiscal year 2010	811,696	(237,920)	573,776
Thereafter	<u>530,446</u>	<u>(162,160)</u>	<u>368,286</u>
Total	<u>\$ 4,491,895</u>	<u>\$ (1,265,208)</u>	<u>\$ 3,226,687</u>

Total expense incurred under all such agreements for the seven months ended June 30, 2005, amounted to \$376,867. Total sublease income for the seven months ended June 30, 2005, amounted to \$122,402, which is included in other income.

AVONDALE PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

NOTE 7 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company routinely sells securities that it does not currently own and, therefore, will be obligated to purchase such securities at a future date. Accordingly, the Company will incur a loss if the market value of the securities is higher at the purchase date.

NOTE 8 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At June 30, 2005, the Company had regulatory net capital of \$3,400,800, which was \$3,127,800 in excess of its required net capital of \$273,000. The Company's percent of aggregate indebtedness to net capital ratio was 64%.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of June 30, 2005:

Accounts payable - trade	\$ 177,669
Accounts payable - clearing brokers	51,981
Accrued bonuses and payroll	1,387,682
Other accrued expenses	<u>544,733</u>
Total	<u>\$ 2,162,065</u>

SUPPLEMENTAL SCHEDULES

AVONDALE PARTNERS, LLC
COMPUTATION OF NET CAPITAL
AS OF JUNE 30, 2005

Net Capital	
Total member's equity from the Statement of Financial Condition	\$ <u>4,676,562</u>
Deductions and/or charges:	
Nonallowable assets from the Statement of Financial Condition:	
Furniture, equipment and improvements, net	(307,416)
Other assets	<u>(912,795)</u>
Total deductions and/or charges	<u>(1,220,211)</u>
Net capital before haircuts on securities positions	3,456,351
Haircuts on securities	<u>55,551</u>
Net Capital	<u>\$ 3,400,800</u>
Aggregate Indebtedness	
Accounts payable and accrued expenses	<u>\$ 2,162,065</u>
Total aggregate indebtedness	<u>\$ 2,162,065</u>
Computation of Basic Net Capital Requirement	
Net capital requirement	<u>\$ 273,000</u>
Excess net capital	<u>\$ 3,127,800</u>
Excess net capital at 1000%	<u>\$ 3,184,594</u>
Percentage of aggregate indebtedness to net capital	<u>64 %</u>

AVONDALE PARTNERS, LLC

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3

JUNE 30, 2005

Avondale Partners, LLC is exempt from the provisions of Rule 15c3-3 under the exemption provided in Section K(2)(ii) of the Rule.

AVONDALE PARTNERS, LLC

INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3

JUNE 30, 2005

Avondale Partners, LLC is exempt from the provisions of Rule 15c3-3 under the exemption provided in Section K(2)(ii) of the Rule.

AVONDALE PARTNERS, LLC

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

AS OF JUNE 30, 2005

Reconciliation with Company's computation (included in Part II of Form X-17A-5
as of June 30, 2005)

Net capital, as reported in Company's Part II (unaudited Focus report)	\$ 3,400,800
Net audit adjustments	<u>-</u>
Net capital per audit	<u>\$ 3,400,800</u>

AVONDALE PARTNERS, LLC

RECONCILIATION BETWEEN THE AUDITED AND UNAUDITED
STATEMENTS OF FINANCIAL CONDITION
WITH RESPECT TO METHODS OF CONSOLIDATION

JUNE 30, 2005

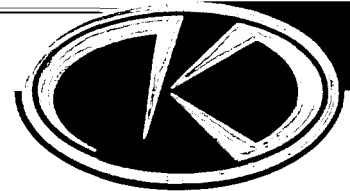
Not applicable.

AVONDALE PARTNERS, LLC

MATERIAL INADEQUACIES FOUND TO EXIST OR FOUND TO HAVE EXISTED

JUNE 30, 2005

None.



KraftCPAs
PLLC

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL

Executive Committee and Member
Avondale Partners, LLC
Nashville, Tennessee

In planning and performing our audit of the financial statements and supplemental schedules of Avondale Partners, LLC (the "Company") for the seven months ended June 30, 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 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 (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 making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with 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 internal control or 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.

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 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 control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand the 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 the Company's practices and procedures were adequate at June 30, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Executive Committee and Member, management, the SEC, the New York Stock Exchange 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.

KraftCPAs PLLC

Nashville, Tennessee
August 15, 2005