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

MAR 01 2010

SEC FILE NUMBER
8-67596

FACING PAGE

Information Required of Brokers and Dealers Washington, DC pursuant to Section 17 of the  
 Securities Exchange Act of 1934 and Rule 1705 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: ESPOSITO SECURITIES, LLC  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

300 CRESCENT COURT, STE. 650

(No. and Street)

DALLAS

(City)

TX

(State)

75201

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
JOEL COLPITTS, CFO 214-855-2166  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

GRANT THORNTON, LLP

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

1717 MAIN ST., #1500

(Address)

DALLAS

(City)

TX

(State)

75201

(Zip Code)

CHECK ONE:

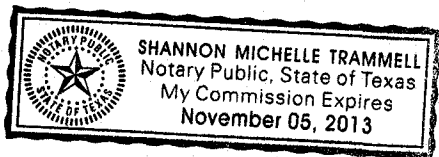
- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

<b>FOR OFFICIAL USE ONLY</b>

\*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 B. COLPITTS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ESPOSITO SECURITIES, LLC, as of DECEMBER 31, 20 09, 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:



Joel B. Colpitts  
Signature  
CHIEF FINANCIAL OFFICER  
Title

Shannon Michelle Trammell  
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 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

Financial Statements and Report of Independent Registered Public Accounting Firm

**Esposito Securities, LLC**

December 31, 2009



## Report of Independent Registered Public Accounting Firm

**Audit • Tax • Advisory**

**Grant Thornton LLP**  
1717 Main Street, Suite 1500  
Dallas, TX 75201-4667  
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[www.GrantThornton.com](http://www.GrantThornton.com)

The Members  
Esposito Securities, LLC

We have audited the accompanying statement of financial condition of Esposito Securities, LLC (a Texas limited liability corporation) (the "Company") as of December 31, 2009, and the related statements of operations, changes in members' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Esposito Securities, LLC as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, IV, and V 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.

*Grant Thornton LLP*

Dallas, Texas  
February 25, 2010

Esposito Securities, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2009

ASSETS

ASSETS

Cash	\$6,042,804
Cash deposits with clearing organization, restricted	350,000
Receivables from brokers, dealers and clearing organizations	518,422
Securities owned, at market value	1,400
Prepaid expenses and other assets	31,580
Furniture, Fixtures and Equipment, at cost, net of accumulated depreciation of \$237,490	<u>259,004</u>

TOTAL ASSETS \$7,203,210

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 309,477
Securities sold, not yet purchased, at market value	30,856
Other current liabilities	<u>109,710</u>

Total liabilities 450,043

MEMBERS' EQUITY

Members' equity	<u>6,753,167</u>
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Total members' equity 6,753,167

TOTAL LIABILITIES AND MEMBERS' EQUITY \$7,203,210

The accompanying notes are an integral part of this financial statement.

**Esposito Securities, LLC**  
**STATEMENT OF OPERATIONS**  
Year ended December 31, 2009

<b>REVENUE</b>	
Commissions	\$7,577,810
Trading income	<u>812,443</u>
Total revenue	8,390,253
<b>EXPENSES</b>	
Employee compensation and benefits	2,744,361
Clearing costs	2,429,907
Other operating expenses	526,124
Occupancy and equipment	309,307
Depreciation	138,077
Advertising and communications	<u>77,437</u>
Total expenses	6,225,213
Net income before income taxes	2,165,040
<b>PROVISION FOR INCOME TAXES</b>	<u>101,283</u>
Net income	<u>\$2,063,757</u>

The accompanying notes are an integral part of this financial statement.

Esposito Securities, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year ended December 31, 2009

Balance, January 1, 2009	\$ 7,096,290
Withdrawals	(3,106,880)
Contributions	700,000
Net income	<u>2,063,757</u>
Balance, December 31, 2009	<u>\$ 6,753,167</u>

The accompanying notes are an integral part of this financial statement.

**Esposito Securities, LLC**  
**STATEMENT OF CASH FLOWS**  
Year ended December 31, 2009

<b>Cash flow from operating activities</b>	<b>\$ 2,063,757</b>
Net Income	\$ 2,063,757
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	138,077
Changes in operating assets and liabilities	
Receivables from brokers, dealers and clearing organizations	(193,669)
Cash deposits with clearing organizations, restricted	(200,000)
Securities owned	17,272
Prepaid expenses and other current assets	(12,864)
Accounts payable and accrued expenses	(217,296)
Securities sold, not yet purchased	15,511
Other current liabilities	<u>(331,397)</u>
<b>Net cash provided by operating activities</b>	<b>1,279,391</b>
<b>Cash flows from investing activities</b>	
Purchases of fixed assets	<u>(55,178)</u>
<b>Net cash used in investing activities</b>	<b>(55,178)</b>
<b>Cash flows from financing activities</b>	
Payments to members	(3,106,880)
Contribution from member	<u>700,000</u>
<b>Net cash used in financing activities</b>	<b>(2,406,880)</b>
Net decrease in cash	(1,182,667)
Cash, beginning of year	<u>7,225,471</u>
Cash, end of year	<b><u>\$ 6,042,804</u></b>
Supplemental disclosure of cash flow information	
Cash paid for income taxes	<b>\$ 61,287</b>

The accompanying notes are an integral part of this financial statement.



## Esposito Securities, LLC

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009

#### NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Esposito Securities, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). The Company was formed in December 2006 as a Texas Limited Liability Company, was capitalized in August 2007, and began operating as a broker-dealer in September 2007. The Company provides several value-added institutional brokerage services to its clients including electronic and algorithmic trading.

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

##### Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty. The Company does not believe it is exposed to any significant counterparty credit risk.

##### Securities Transactions

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

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition. Securities owned and securities sold, not yet purchased are valued at market value, based on quoted market prices, and securities not readily marketable are valued at fair value as determined by management. The increase or decrease in net unrealized appreciation or depreciation of securities owned is credited or charged to operations.

##### Fair Value of Financial Instruments

Effective January 1, 2008, the Fund adopted the provisions of FASB *Accounting Standards Codification*<sup>TM</sup> (ASC) 820, which defines fair value, establishes a framework for measuring fair value and requires additional disclosures regarding certain fair value measurements. ASC 820 establishes a three tier hierarchy for measuring fair value as follows: level 1 – quoted market prices in active markets, level 2 – inputs other than quoted prices that are directly or indirectly observable and level 3 – unobservable inputs where there is little or no market activity. The fair value of the Company's investments in the accompanying financial statements was determined using quoted prices from active markets (level 1).

Esposito Securities, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Receivables from brokers, dealers and clearing organizations are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense in the period uncollectability is determined.

Commissions

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

Income Taxes

The Company has elected to have its income taxed as a partnership under provisions of the Internal Revenue Code. Under these provisions, the Company does not pay income taxes on its federal taxable income; rather, the members are liable for any federal taxes resulting from the Company's operations. State income-based taxes incurred by the Company are reflected as a provision for income tax expense or benefit within the statement of operations. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

The Company adopted the provisions of ASC 740, *Income Taxes* (f.k.a, FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*), on January 1, 2009. Previously, the Company had accounted for tax contingencies in accordance with ASC 450, *Contingencies* (f.k.a, FASB Statement 5, *Accounting for Contingencies*). As required by the uncertain tax position guidance of ASC 740, which clarifies ASC 740 (f.k.a, FASB Statement 109, *Accounting for Income Taxes*), the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

At the adoption date, the Company applied the uncertain tax position provisions of ASC 740 to all tax positions for which the statute of limitations remained open. As a result of the implementation of the uncertain tax position guidance of ASC 740, the Company recognized no additional liability for unrecognized tax benefits.

Due to its recent formation, the Company remains subject to federal, state and local income tax examinations by tax authorities for all of its filing years.

Esposito Securities, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation

Furniture, fixtures and equipment are stated at cost. Repairs and maintenance that do not increase the useful lives of the related assets are expensed as incurred. Depreciation commences when property and equipment are available and ready for use and is computed using the straight-line method over useful lives of two to five years.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Advertising Expenses

The Company expenses advertising costs as incurred. Total advertising expense amounted to \$54,240 for the year ended December 31, 2009.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. If the net capital ratio exceeds 10 to 1, the Company may not withdraw equity capital or pay cash dividends. At December 31, 2009, the Company had net capital of \$6,455,036 which was \$6,355,036 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 0.06 to 1.

NOTE 4 - FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consisted of the following at December 31, 2009:

Computer hardware	\$130,474
Furniture and fixtures	144,701
Automobiles	<u>221,319</u>
Less accumulated depreciation	<u>237,490</u>
	<u>\$259,004</u>

**Esposito Securities, LLC**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2009

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

The Company has entered into certain non-cancelable operating leases. Rental expense under the Company's operating lease agreements was \$193,640 for the year ended December 31, 2009.

Future minimum rental payments required under the Company's operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2009 were as follows:

2010	\$203,120
2011	<u>19,297</u>
Total minimum lease payments	<u>\$222,417</u>

In the general course of its business, the Company is named as a defendant in certain lawsuits and arbitration proceedings. Management believes that resolution of these claims will not result in any material adverse effect on the Company's financial position or results of operations.

**NOTE 6 - SUBSEQUENT EVENTS**

There were no subsequent events to report between December 31, 2009, the date of these financial statements, and February 25, 2010, the date these financial statements were available to be issued.

**SCHEDULES**

**Esposito Securities, LLC**

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER  
RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934

December 31, 2009

NET CAPITAL

Total members' equity		\$6,753,167
Deduct members' equity not allowable for net capital		<u>-</u>
Total members' equity qualified for net capital		6,753,167

ADD:

A. Liabilities subordinated to claims of general creditors allowable		-
B. Other (deductions) or allowable credits		<u>-</u>
Total capital and allowable subordinated liabilities		6,753,167

DEDUCTIONS AND/OR CHARGES

A. Non-allowable assets	\$ 20,560	
Receivable from brokers or dealers	-	
Other receivables	-	
Other assets	11,020	
Furniture, fixtures and equipment, net	259,004	
B. Secured demand note deficiency	-	
C. Commodity futures contracts and spot commodities – proprietary capital charges	-	
D. Other deductions and/or charges	<u>-</u>	(290,584)
Net capital before haircuts on securities positions		6,462,583

HAIRCUTS ON SECURITIES POSITIONS

A. Contractual securities commitments		-
B. Deficit in securities collateralizing secured demand notes		-
C. Trading and investment securities		
1. Exempt securities	-	
2. Debt securities	-	
3. Options	-	
4. Other securities	4,628	
D. Undue concentration	-	
E. Other	<u>2,919</u>	<u>(7,547)</u>
Net capital		6,455,036

**Esposito Securities, LLC**

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER  
RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934 - CONTINUED

December 31, 2009

AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition		\$ 450,043
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LESS:

Securities sold not yet purchased, at market value		(30,856)
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ADD:

A. Drafts for immediate credit	\$ -	
B. Market value of securities borrowed for which no equivalent value is paid or credited	-	
C. Other unrecorded amounts	-	

Total aggregate indebtedness		<u>\$ 419,187</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required		<u>\$ 27,945</u>
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Minimum dollar net capital requirement		<u>\$ 100,000</u>
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Net capital requirement (larger of above)		<u>\$ 100,000</u>
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Excess net capital		<u>\$6,355,036</u>
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Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)		<u>\$6,413,117</u>
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Percentage aggregate indebtedness to net capital		6%
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Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		0%
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**Esposito Securities, LLC**

**SCHEDULE II - RECONCILIATION PURSUANT TO  
RULE 17a-5(D)(4) OF THE SECURITIES EXCHANGE ACT OF 1934**

December 31, 2009

Net capital per Part IIA Focus Report, as reported December 31, 2009	\$6,455,036
Audit differences	<u>          -</u>
Net capital, per Schedule I	<u>\$6,455,036</u>



**Esposito Securities, LLC**

**SCHEDULE III - COMPUTATION FOR  
DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

December 31, 2009

No reserve requirement is required since the Company operated as a limited securities broker pursuant to the (k)(2)(ii) exemption under Rule 15c3-3. As of December 31, 2009, the Company was in compliance with the conditions of exemption under Rule 15c3-3.

**Esposito Securities, LLC**

**SCHEDULE IV - INFORMATION RELATING  
TO POSSESSION OR CONTROL REQUIREMENTS UNDER  
RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

December 31, 2009

Possession or control of securities is not maintained by the Company and the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

**Esposito Securities, LLC**

**SCHEDULE V - SCHEDULE OF SEGREGATION  
REQUIREMENTS AND FUNDS IN SEGREGATION**

December 31, 2009

The Company has no segregation requirements or funds in segregation since the Company operated as a limited securities broker pursuant to the (k)(2)(ii) exemption under Rule 15c3-3 and the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.



**Report of Independent Registered Public Accounting Firm on  
Internal Control Required by SEC Rule 17a-5**

The Members  
Esposito Securities, LLC

**Audit • Tax • Advisory**

**Grant Thornton LLP**  
1717 Main Street, Suite 1500  
Dallas, TX 75201-4667

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In planning and performing our audit of the financial statements of Esposito Securities, LLC (the "Company"), as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the U.S. Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

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

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP). Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs of this report and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for their 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, 2009, to meet the SEC's objectives.

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

*Grant Thornton LLP*

Dallas, Texas  
February 25, 2010