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AUG 30 2010  
WASH. D.C. 193 SECTION

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

OMB APPROVAL  
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hours per response..... 12.00

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

SEC FILE NUMBER  
8-45285

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 July 1, 2009 AND ENDING June 30, 2010  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Lantern Investments, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

35 Pinelawn Road, Suite 101E  
(No. and Street)  
Melville New York 11747  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Keith Lanton 516-374-0002  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Halpern & Associates, LLC  
(Name - if individual, state last, first, middle name)  
218 Danbury Road Wilton CT 06897  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

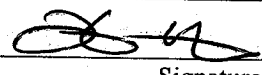
FOR OFFICIAL USE ONLY

\*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

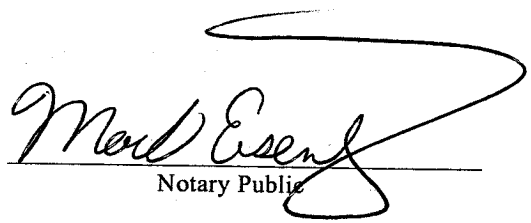
I, Keith Lanton, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lantern Investments, Inc., as of June 30, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

President  
Title

MARK M. EISENBERG  
Notary Public, State of New York  
No. 01EI4890886  
Qualified in Nassau County  
Commission Expires March 27, 2011

  
Notary Public

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

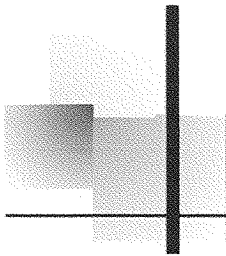
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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).

LANTERN INVESTMENTS, INC.

STATEMENT OF FINANCIAL CONDITION

June 30, 2010



## ***Halpern & Associates, LLC***

Certified Public Accountants and Consultants

218 Danbury Road • Wilton, CT 06897 • (203) 210-7364 • FAX (203) 210-7370 • [Info@Halpernassoc.com](mailto:Info@Halpernassoc.com)

### INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Lantern Investments, Inc.

We have audited the accompanying statement of financial condition of Lantern Investments, Inc. (the "Company") as of June 30, 2010. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 this financial statement is 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 statement referred to above presents fairly, in all material respects, the financial position of Lantern Investments, Inc. as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

*Halpern & Associates, LLC*

Wilton, Connecticut  
August 10, 2010

LANTERN INVESTMENTS, INC.

STATEMENT OF FINANCIAL CONDITION

June 30, 2010

ASSETS

Cash and cash equivalents	\$ 225,568
Receivable from clearing broker	1,140,916
Securities owned, at market value	447,708
Furniture, equipment and leasehold improvements, at cost, net of accumulated depreciation of \$126,562	48,311
Goodwill, net of accumulated amortization of \$38,002	128,859
Other assets	<u>138,384</u>
 TOTAL ASSETS	 <u><u>\$ 2,129,746</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES

Accrued expenses and other liabilities	\$ 867,291
Securities sold not yet purchased, at market value	-
Deferred rent	12,164
Corporate Taxes Payable	<u>21,215</u>
 TOTAL LIABILITIES	 <u>900,670</u>

SUBORDINATED LIABILITIES AND SHAREHOLDERS' EQUITY

Liability subordinated to claims of general creditors	<u>45,000</u>
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SHAREHOLDERS' EQUITY

Preferred stock, \$.01 par value; 10,000 shares authorized, -0- shares issued and outstanding	-
Common stock, \$.05 par value; 30,000 shares authorized, 10,000 issued and 9,890 shares outstanding	487
Additional paid-in capital	412,480
Retained earnings	777,169
Treasury stock, at cost, 110 shares	<u>(6,060)</u>
 TOTAL SHAREHOLDERS' EQUITY	 <u>1,184,076</u>

TOTAL SUBORDINATED LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,229,076</u>
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 2,129,746</u></u>
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The accompanying notes are an integral part of this statement.

# LANTERN INVESTMENTS, INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

FOR THE YEAR ENDED JUNE 30, 2010

### 1. NOTES ON SIGNIFICANT BUSINESS ACTIVITIES

Lantern Investments, Inc. (the "Company") was incorporated in the State of Delaware in 1992. The Company is registered as a broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority, Inc (the "FINRA"), the Municipal Securities Rulemaking Board (the "MSRB") and the Securities Investor Protection Corporation ("SIPC"). In this capacity, it executes both principal and agency transactions for itself and its customers. The Company does not hold funds or securities for, nor owe funds or securities to customers. Any funds or securities received by the Company are promptly transmitted to the clearing broker.

In the normal course of business, the Company enters into financial transactions where the risk of potential loss due to the changes in market or failures of the other party to the transaction to perform exceeds the amounts recorded for the transactions. The Company's policy is to continuously monitor its exposure to market and counter-party risk through the use of a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the customer and/or other counter-party with which it conducts its business.

The Company executes all of its customer trades through New York Stock Exchange member firms as an introducing broker and earns commission on its introduced customers. The Company has an agreement with a clearing broker to clear securities transactions, carry customers' accounts on a fully disclosed basis and perform certain recordkeeping functions. In connection therewith, the Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain related to the Company's customers. At June 30, 2010, the receivable from clearing broker reflected on the statement of financial condition was substantially in cash.

In the course of its normal trading activities, the Company is a party to financial instruments that involve, to indeterminable degrees, market risks in excess of that presented in the statement of financial condition. All positions are reported at market value and any change in market value is reflected in the accompanying statement of income as gain or loss as it occurs.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Securities transactions and related commission revenues and expenses are recorded on a settlement date basis. Realized gains and losses on security transactions are based on the first-in, first-out or the specific-identification method. Dividend income and dividends on securities sold short are recorded on the ex-dividend date.

LANTERN INVESTMENTS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION (Continued)

FOR THE YEAR ENDED JUNE 30, 2010

Securities transactions and financing with the clearing broker are classified as operating activities on the statement of cash flows since this is the Company's principal business.

Investments in securities that are traded on a securities exchange are valued at the last reported sales price on the primary exchange on the last business day of the year. Investments in securities traded in the over-the-counter market for which no market quotations are available are valued at the last reported bid price.

The Company maintains its books and records on an accrual basis in accordance with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The Company files its federal and state corporate income tax returns using the accrual basis of accounting.

Depreciation of property and equipment is provided for on accelerated and straight-line methods over the useful life of the assets. Amortization of leasehold improvements is provided for by the straight-line method over the term of the lease.

In accordance with GAAP, management implemented Statement of Financial Accounting Standards No. 157 "Valuation of Investments in Securities and Securities Sold Short at Fair Value - Definition and Hierarchy" ("ASC 820"), the Company is required to classify its assets and liabilities based on valuation methods using three levels. Level 1 values are based on quoted prices in active markets for identical investments. Level 2 values are based on significant observable market inputs, such as quoted prices for similar investments and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Company's determination of assumptions that market participants might reasonably use in valuing the investments. The valuation levels are not necessarily an indication of risk or liquidity associated with the underlying investments.

LANTERN INVESTMENTS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION (Continued)

FOR THE YEAR ENDED JUNE 30, 2010

3. CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents includes \$696,783 in money market funds.

4. FAIR VALUE MEASUREMENTS

The Fund's assets and liabilities recorded at fair value are categorized below based upon a fair value hierarchy in accordance with SRAS No. 157 (ASC 820) at December 31, 2009. See Note 2 for a definition and discussion of the Fund's policies regarding this hierarchy.

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Investments in Securities				
Common Stock	\$ 135,087	\$ 135,087	\$ -	\$ -
Corporate Bonds	85,356	-	85,356	-
Municipal Bonds	227,265	-	227,265	-
<b>Total</b>	<b>\$ 447,708</b>	<b>\$ 135,087</b>	<b>\$ 312,621</b>	<b>\$ -</b>
Percent of Total	100.00%	30.17%	69.83%	0.00%

5. GOODWILL

In June 2004, the Company purchased certain intangible assets of Tradex Brokerage Service, Inc., under an asset purchase agreement. Additionally, in June 2008 the Company purchased intangible assets from a retired employee under an asset purchase agreement. The Company has adopted ("ACS 350") FASB Statement No. 142 "Goodwill and Other Intangible Assets". Under SFAS 142, goodwill will be assessed annually to determine whenever events or circumstances have occurred which would indicate that goodwill might be impaired. The financials include an impairment charge of \$9,539 for the year ended June 30, 2010.



LANTERN INVESTMENTS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION (Continued)

FOR THE YEAR ENDED JUNE 30, 2010

6. OTHER ASSETS

Other assets include \$58,672 of advances paid to employees and are being expensed over various periods. These advances are to be repaid through the earning of a "Production Bonus" as stipulated in the various Employment Agreements. If the employee for any reason ceases to be employed by the Company before the date that the Production Bonus is earned, the loan shall become due and payable. At such time, the Borrower shall begin to pay interest on the loan at the annual rate of 2% above the prime rate of the JP Morgan Chase Bank. The financial statements reflect an expense of \$80,691 relating to these agreements.

7. INCOME TAXES

The provision for current income taxes consists of the following:

Federal	\$94,464
State	<u>25,502</u>
Total	<u>\$119,966</u>

In accordance with FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("ASC 740") the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. Based on its analysis, the Company has determined that the adoption of this policy did not have a material impact on the Company financial statements upon adoption. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in portfolio maintenance fees, if assessed. No interest expense or penalties have been assessed for the period ended December 31, 2009

LANTERN INVESTMENTS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION (Continued)

FOR THE YEAR ENDED JUNE 30, 2010

8. DEFERRED RENT

The lease for the Company's office space in Melville, NY, New York City, NY Chicago IL, and San Francisco, CA provides for rent abatements as well as scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the lease, which results in deferred rent payable. This represents cumulative rent expense charged to operations from inception of the lease in excess of required lease payments.

9. COMMITMENTS

In June 2008, the Company entered into an agreement with a retired employee to pay a certain percentage of the value of Broker's Book on the first three anniversary dates of his retirement. A provision has been included in the financials statements for this liability of \$60,830.

The Company leases office space in Melville, NY, New York City, NY Chicago IL, and San Francisco, CA under non-cancelable lease agreements. The leases expire in 2010, 2011, 2013, 2013 and 2013 respectively. The leases contain provisions for escalations based on increases in certain costs incurred by the lessors. Future minimum rent payments on the leases are as follows:

<u>Year Ended June 30</u>	
2010	\$126,322
2011	230,254
2012	193,387
2013	<u>98,612</u>
Total	<u>\$ 648,585</u>

10. LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS

The liabilities subordinated to the claims of general creditors consist of subordinated loan agreements in aggregate of \$45,000 which pays interest at various rates and maturity dates. It is the Company's intent to renew the loan.

<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>
\$ 25,000	10%	August 31, 2012
10,000	6%	September 30, 2010
5,000	6%	September 30, 2010
<u>5,000</u>	6%	September 30, 2010
<u>\$ 45,000</u>		

LANTERN INVESTMENTS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION (Continued)

FOR THE YEAR ENDED JUNE 30, 2010

The subordinated loans have been contributed under agreements pursuant to the rules and regulations of the Financial Industry Regulatory Authority and the Securities and Exchange Commission.

The subordinated loan agreements can be withdrawn by the lenders only at the stated maturity date or may be prepaid under limited circumstances. Any subordinated debt can be repaid only if, after giving effect to such repayment, the Company meets net capital requirements governing withdrawal of subordinated debt. Interest expense on the subordinated liabilities was \$3,575 for the year ended June 30, 2010.

11. EMPLOYEE BENEFITS

The Company has a SIMPLE-IRA plan with a December 31 year-end. The Board of Directors has elected to contribute an amount equal to three percent of eligible employee compensation, subject to statutory limitations. The expense included in the financial statements related to this plan is approximately \$53,906 for the year ending June 30, 2010.

12. RULE 15c3-3

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(ii) in that the Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received, does not otherwise hold funds or securities for or owe money or securities to customers and effectuates all financial transactions on behalf of customers on a fully disclosed basis.

13. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Net Capital 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. At June 30, 2010, the Company had net capital of \$873,059, which exceeded the minimum requirement of \$100,000 by \$773,059. The Company's net capital ratio was 1.03 to 1.

14. SUBSEQUENT EVENTS

Events have been evaluated through August 10, 2010, the date that these financial statements were available to be issued and no further information is required to be disclosed.

**LANTERN INVESTMENTS, INC.**

**REPORT PURSUANT TO  
SECURITIES AND EXCHANGE COMMISSION RULE 17a-5 (e) (4)**

**FOR THE YEAR ENDED JUNE 30, 2010**



# **Halpern & Associates, LLC**

Certified Public Accountants and Consultants

218 Danbury Road • Wilton, CT 06897 • (203) 210-7364 • FAX (203) 210-7370 • info@Halpernassoc.com

## **Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation**

To the Members of  
Lantern Investments, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended June 30, 2010, which were agreed to by Lantern Investments, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Lantern Investments, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Lantern Investments, Inc.'s management is responsible for Lantern Investments, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended June 30, 2010, as applicable, with the amounts reported in Form SIPC-7 for the same period, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

This report relates only to the schedule referred to above, and does not extend to the financial statements of Lantern Investments, Inc.

*Halperin & Associates, LLC*

Wilton, Connecticut  
August 25, 2010

LANTERN INVESTMENTS, INC.

SCHEDULE OF SECURITIES INVESTOR PROTECTION  
CORPORATION ASSESSMENTS AND PAYMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>DATE PAID OR FILED</u>	<u>PAYMENTS MADE</u>	<u>ANNUAL ASSESSMENT PER REPORT</u>
SIPC-6 general assessment for the fiscal period July 1, 2009 to December 31, 2009	January 21, 2010	\$ 5,713	
Prior year overpayment applied		452	
SIPC-7 general assessment for the year ending June 30, 2010	August 20, 2010	<u>6,067</u>	<u>\$ 12,232</u>
		<u>\$ 12,232</u>	<u>\$ 12,232</u>

Name of collection agent: Financial Industry Regulatory Authority

See the accompanying Accountants' Report.