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

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

SEC FILE NUMBER
8- 67181

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 01/01/2009 AND ENDING 12/31/2009  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Charles Morgan Securities, Inc**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

120 Wall Street, 16th Floor

(No. and Street)

New York, New York 10005

(City)

(State)

(Zip Code)

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

Paul Taboada, CEO

(212) 495-3210

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Yin Shen Co. CPA**

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

31-50 140th Street, Suite 6C

Flushing

NY

11354

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SEC Mail  
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Section

MAR 07 2010

Washington, DC

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\*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, Paul Taboada, CEO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Charles Morgan Securities, Inc, 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:


**Williams Augustin, Alicia**  
**Notary Public State of New York**  
**No.01W16202716**  
**Qualified in Kings County**  
**Commission Expires 3/23/2013**



Signature

Paul Taboada, CEO

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 15c3-1 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).

# CHARLES MORGAN SECURITIES, INC.

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*Yin Shen Co. CPA*  
3150 140<sup>th</sup> Street, Room 6c  
New York, New York 11354  
Tel: 718-358-7956, Fax: 718-358-1281

## Independent Auditor's Report

To Board of Directors  
Charles Morgan Securities, Inc.

We have audited the accompanying statement of financial condition of Charles Morgan Securities, Inc. as of December 31, 2009, and the related statements of income, changes in stockholders' capital, 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. 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 the opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Charles Morgan Securities, Inc. at 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 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 and 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.

Yin Shen, CPA  
Yin Shen Co. CPA  
New York, New York  
February 22, 2010



CHARLES MORGAN SECURITIES, INC.

Statement of Financial Condition  
December 31, 2009

ASSETS

Cash & cash equivalent	\$ 21,321
Prepaid expenses	11,301
Clearing deposit (cash)	138,766
Securities owned at fair value	285,230
Property and equipment at net	25,740
Deferred tax assets	89,600
Security deposit	<u>78,194</u>
Total assets	<u>\$ 650,152</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts payable and accrued expense	<u>\$ 33,925</u>
Total liabilities	33,925

Stockholders' Equity

Common stock - non par value, 200 shares issued and outstanding	750,000
Additional paid-in capital	245,000
Retained earnings	<u>(378,773)</u>
Total stockholders' equity	<u>616,227</u>
Total liabilities and stockholders' equity	<u>\$ 650,152</u>

The accompanying notes are an integral part of these financial statements

CHARLES MORGAN SECURITIES, INC.

Statement of Income  
for the Year Ended December 31, 2009

REVENUES:

Fees and commissions income	\$ 2,001,098
Principal transactions	121,845
Other Income	21,446
Interest and dividends	2,383
	<hr/>
	2,146,772
	<hr/>

EXPENSES:

Compensation and employee benefits	598,750
Commission expense	539,713
Communications	32,793
Clearing and execution	95,336
Management fees	165,000
Occupancy	292,282
Regulatory fees	15,168
Professional fees	68,694
Other expenses	143,708
	<hr/>
Total expense	1,951,444
	<hr/>
INCOME BEFORE INCOME TAXES	195,328
PROVISION FOR INCOME TAXES	2,095
	<hr/>
NET INCOME (LOSS)	\$ 193,233
	<hr/>

The accompanying notes are an integral part of these financial statements

CHARLES MORGAN SECURITIES, INC.

Statement of Cash Flows  
for the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		\$ 193,233
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	11,702	
(Increase) decrease in operating assets:		
Clearing deposit	(111,467)	
Prepaid expenses	(1,218)	
Security owned	(207,675)	
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expense	17,867	
Total adjustments		(290,790)
Net cash used in operating activities		<u>(97,557)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(1,629)	
		<u>(1,629)</u>
Net cash used in investing activities		(1,629)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additional paid in	30,000	30,000
Net cash provided by financing activities		<u>30,000</u>
INCREASE IN CASH		<u>(69,186)</u>
CASH AT BEGINNING OF THE YEAR		90,507
CASH AT END OF THE YEAR		<u>\$ 21,321</u>

The accompanying notes are an integral part of these financial statements

CHARLES MORGAN SECURITIES, INC.

Statement of Changes in Stockholders' Equity  
for the Year Ended December 31, 2009

	Capital Stock		Additional	Retained	Total
	Common (non par)		Paid-in	Earnings	Stockholders'
	Shares	Amount	Capital		Equity
Balance at					
December 31, 2008	200	\$ 750,000	215,000	(572,006)	392,994
Net income(loss)				193,233	193,233
Changes in Capital	-		30,000	-	30,000
Balance at					
December 31, 2009	200	750,000	245,000	(378,773)	\$ 616,227

The accompanying notes are an integral part of these financial statements



Charles Morgan Securities, Inc.  
Notes to Financial Statements

For the Year Ended December 31, 2009

**1. Organization and nature of business**

Charles Morgan Securities, Inc. (the Company) is a broker dealer registered with the Securities and Exchange Commission (SEC), and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corp. (SIPC) The Company engages in (a) investment banking services limited to private placements of debt and equity instruments: (b) corporate investment advisory services, including advice on corporate finance, capital structure, merges and acquisitions, corporate restructuring and introductions to industry professionals: (c) retail sales conducted on a fully disclosed agency basis, including buying and selling of stocks, options and mutual funds. The Company clears its securities transactions on a fully disclosed basis with another broker-dealer. The Company is exempt from SEC customer protection rules. The Company is a New York corporation established on June 20, 2002.

**2. Significant Accounting Policies**

**a. 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

**b. Property and equipment:**

Furniture and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the various classes of depreciable assets.

**c. Cash and cash equivalents:**

For purpose of statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

**d. Use of estimates:**

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.

Charles Morgan Securities, Inc.  
Notes to Financial Statements  
(continued)

**e. Concentration of credit risk:**

The Company executes, as agent, securities transactions on behalf of its customers. If either the customer or counter-party fails to perform, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction. The Company as a non-clearing broker does not handle any customer funds or securities. The responsibility for processing customer activity rests with the Company's clearing firm.

The Company maintains its cash in accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**f. Accounting method**

The Company prepares its financial statements on the accrual basis of accounting.

**3. Securities Owned:**

Securities owned consist of marketable securities and non-marketable securities. Marketable securities are carried at market value with unrealized gains and losses reflected in the Statement of Income (Loss). Non-marketable securities measured at the face value. As at December 31, 2009 the Company owned marketable securities at fair value of \$267,537 and non-marketable stocks for \$17,362.

**4. Property and equipment:**

Property and equipment consists of the following as of December 31, 2009:

Equipment	\$ 65,510
Furniture and fixtures	<u>33,157</u>
	96,667
Less: Accumulated depreciation	<u>( 70,927)</u>
Net book value	<u>\$ 25,740</u>

Depreciation for the year ended December 31, 2009 amounted to \$11,702. Fixed assets are depreciated using the straight-line method over the estimated life of the related assets. Estimated lives for equipment are five years and furniture and fixtures is seven years.

Charles Morgan Securities, Inc.  
Notes to Financial Statements  
(continued)

**5. Compensated absences:**

Employees of the Company are entitled to paid vacations, paid sick days and personal days off depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences actually paid to employees.

**6. Related party transactions**

Commissions were paid during the ended December 31, 2009 in the amount of \$165,000 cash to PCM Industries, Inc. an entity wholly owned by the Company's shareholder. PCM industries, Inc. owns 5% of stake of the Company.

**7. Deferred income taxes:**

Timing differences related to certain income and expense items which are recognized for financial accounting purposes in one period and for tax purposes in another period exist. Deferred income taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company did not include any provision for current year federal, state, or city corporate income taxes, because it has experienced a net operating tax losses in prior year and carry forwarding to the current period. As of December 31, 2009, the deferred tax asset consists primarily of net operating loss carryforwards which amount to approximately \$378,000. These carryforwards will begin to expire at various times commencing in 2025.

Charles Morgan Securities, Inc.  
Notes to Financial Statements  
(continued)

**8. Commitments and contingencies:**

The Company lease office space under a long term operating lease agreement that expires October 2015. The following is a schedule of future minimum rental payments required under this operating lease:

<u>Year Ended December 31,</u>	
2010	\$ 230,160
2011	230,160
2012	230,160
2013	230,160
2014	230,160
Thereafter	<u>191,170</u>
Total	<u>\$1,341,970</u>

Rental included utilities was \$256,748 for the year ended December 31, 2009.

**9. 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, as defined, shall not exceed 15 to 1, and minimum dollar amount of net capital requirement is \$100,000. At December 31, 2009, the Company was in compliance with these regulations. The company's aggregate indebtedness to net capital ratio was 0.11 to 1 and dollar amount exceeds required limit by \$212,914.

**10. Pension plan**

The Company does not adopt any pension plans in 2009.

CHARLES MORGAN SECURITIES, INC.  
Supplement Information

Pursuant to Rule 17a-5 of the Securities Exchange Act of 1934

As of December 31, 2009

The accompanying schedules are prepared in accordance with the requirements and general format of FOCUS form X-17A-5.

SCHEDULE I

CHARLES MORGAN SECURITIES, INC.

Computation of Net capital Under rule 15c3-1 of the  
Securities and Exchange Commission  
As of December 31, 2009

NET CAPITAL

Total stockholders' equity		\$	616,227
Deduct stockholders' equity not allowable for net capital			-
Total stockholders' equity qualified for net capital			<u>616,227</u>
Deductions:			
None allowable assets			
Property and equipment, net	(25,740)		
Prepaid expense	(11,301)		
Deferred tax assets	(89,600)		
Securities not readily marketable	(17,361)		
Security Deposit	(78,194)	(222,196)	
Net capital before haircuts on securities positions			<u>394,031</u>
Haircuts on securities			
Other securities	(51,323)		
Undue concentration	(22,856)		
Clearing deposit	(6,938)	(81,117)	
NET CAPITAL		\$	<u><u>312,914</u></u>

AGGREGATE INDEBTEDNESS

Accounts payable and accrued expense	33,925	33,925
Total aggregate indebtedness		<u><u>\$ 33,925</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required:	2,262
Minimum dollar required:	<u>\$ 100,000</u>
Excess net capital	<u>\$ 212,914</u>
Excess net capital at 1,000% (Net capital - 10% of AI)	<u>\$ 309,521</u>
Ratio: Aggregate indebtedness to net capital	<u>0.11</u>

CHARLES MORGAN SECURITIES, INC.

Schedule I (cont.)

RECONCILIATION WITH COMPANY'S COMPUTATION (included in  
Part II of Form X-17A-5 as of December 31, 2009)

Net capital, as reported in Company's Part II (unaudited)	
FOCUS report	\$ 319,333
Adjustments:	
Nonallowable assets	(10,575)
Other audit adjustments	13,090
Hair cut on clearing deposit and other securities	(8,934)
	<u>(6,419)</u>
Net capital per above	<u>\$ 312,914</u>

## Independent Auditor's Report on Internal Control

Required by SEC Rule 17a-5 for a Broker-Dealer

Claiming an Exemption from SEC rule 15c3-3

To Board of Directors  
Charles Morgan Securities, Inc.

In planning and performing our audit of the financial statements of Charles Morgan Securities, Inc. (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, 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 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 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 (or aggregate debits) 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 the preparation of financial statements in conformity 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 and 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.

A control deficiency 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 deficiency, or a combination of deficiencies, in internal control 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 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 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, as described in the second paragraph of this report, were adequate at December 31, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the management, the SEC, FINRA, 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.

Yin Shen, CPA  
Yin Shen Co. CPA  
New York, New York  
February 22, 2010



**CHARLES MORGAN SECURITIES, INC.**

**SIPC SUPPLEMENTAL REPORT  
AND SUPPLEMENTARY SCHEDULES**

December 31, 2009

**New York, New York**

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

To Board of Directors  
Charles Morgan Securities, Inc.  
120 Wall Street, 16th Floor  
New York, NY 10005

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 to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2009, which were agreed to by Charles Morgan Securities, 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 Charles Morgan Securities, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). Charles Morgan Securities, Inc.'s management is responsible for the Charles Morgan Securities, 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-7T with respective cash disbursement records entries on the accounting book noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2009, as applicable, with the amounts reported in Form SIPC-7T for the year ended December 31, 2009, noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers of SIPC Supplemental Schedule noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers of SIPC Supplemental Schedule supporting the adjustments 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.

Yin Shen Co. CPA  
February 22, 2010

A handwritten signature in black ink, appearing to read "Yin Shen", written in a cursive style.

CHARLES MORGAN SECURITIES, INC.

SIPC Supplemental Schedule

As of December 31, 2009

Total Revenue (per FOCUS filing)	\$ 1,965,850
Total Deduction	-
SIPC Net Operating Revenue	<u>\$ 1,965,850</u>
General Assessment @0.0025	<u>\$ 4,915</u>
Minimum Due \$150	<u>150</u>
Less previously paid	<u>1,095</u>
Assessment Balance Due with SIPC-7T	<u><u>3,820</u></u>