

BB
3/5



SEC 02018113 COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

SEC FILE NUMBER
8- 32185

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 January 1, 2001 AND ENDING December 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MORGAN SCHIFF & CO., INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
350 Park Avenue - 8th floor
New York New York 10022
(City) (State) (Zip Code)

RBCD S.E.C.
MAR - 1 2002
613

OFFICIAL USE ONLY
FIRM ID. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Thomas J. Sinclair (212) 548-6752
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Ernst & Young LLP
787 Seventh Avenue New York New York 10019
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 21 2002

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

*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, Phillip Ean Cohen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Morgan Schiff & Co., Inc., as of December 31, 2001, 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:

Phillip Ean Cohen

Signature

Title

Virginia D. Dodson

Notary Public

VIRGINIA D. DODSON
Notary Public, State of New York
No. 31-4846523
Qualified in New York County
Commission Expires 8/31/05

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 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 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).

STATEMENT OF FINANCIAL CONDITION

Morgan Schiff & Co., Inc.

December 31, 2001

with Report of Independent Auditors

Morgan Schiff & Co., Inc.

Statement of Financial Condition

December 31, 2001

Contents

Report of Independent Auditors.....	1
Financial Statements	
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3

Report of Independent Auditors

The Board of Directors
Morgan Schiff & Co., Inc.

We have audited the accompanying statement of financial condition of Morgan Schiff & Co., Inc. (the "Company") as of December 31, 2001. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Morgan Schiff & Co., Inc. at December 31, 2001, in conformity with accounting principles generally accepted in the United States.



February 14, 2002

Morgan Schiff & Co., Inc.

Statement of Financial Condition

December 31, 2001

Assets

Cash and cash equivalents	\$ 139,531
Accounts receivable	371,771
Receivable from clearing organizations, net	28,020
Receivable from Chairman	957,002
Inventory	3,750
Furniture and equipment—at cost, less accumulated depreciation of \$181,415	57,569
Other assets	105,052
	<u>\$ 1,662,695</u>

Liabilities and stockholder's equity

Accounts payable and accrued expenses	\$ 15,760
Commitments and contingencies	
Stockholder's equity	<u>1,646,935</u>
	<u>\$ 1,662,695</u>

See accompanying notes.

Morgan Schiff & Co., Inc.

Notes to Statement of Financial Condition

December 31, 2001

1. Organization

Morgan Schiff & Co., Inc. (the "Company") is a registered broker/dealer under the Securities Exchange Act of 1934. The Company provides investment banking and financial advisory services to clients. The Company's brokerage business clears on a fully disclosed basis through another broker/dealer. Accordingly, the Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission, and customer transactions are not reflected in the accompanying statement of financial condition. The Company is exposed to credit losses on customer transactions in the event of nonperformance. This exposure is reduced by the Company's policy of closely monitoring these accounts.

2. Summary of Significant Accounting Policies

General

The preparation of statement of financial condition is in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from management's estimates.

Cash equivalents represent investments in money market mutual funds.

Inventory

Inventory consists of marketable equity securities and is valued at market.

Furniture and Equipment

Furniture and equipment are carried at cost. Depreciation is provided on a straight-line basis over estimated useful lives of three to ten years.

Financial Advisory Fees

Financial advisory fees are earned by the Company for assisting clients in various investment banking activities. These fees are recorded as services are completed, at the date of a particular transaction's completion.

Morgan Schiff & Co., Inc.

Notes to Statement of Financial Condition

December 31, 2001

3. Related Party Transactions

The Company has entered into an agreement with the Chairman, which expires on February 13, 2003, whereby the Company can sell to the Chairman its inventory at a specific price. The inventory is being carried at its closing bid price in the over the counter market. The purchase price per the agreement is higher than the current market value by \$11,250. The difference is included in the receivable from Chairman and is reflected as such in the statement of financial condition.

In addition, the Chairman has controlling or non-controlling ownership interests in companies for which the Company provided services during the year.

The continued existence of the Company is dependent upon the Chairman (the stockholder).

4. Income Taxes

For income tax purposes, the Company has elected to operate as an S corporation. As an S corporation, the Company is not liable to pay federal income tax. The income is passed through to the stockholder who includes such income in his federal income tax return.

New York City does not recognize S corporation status. New York State does recognize S corporation status, but imposes tax on such corporations. Therefore, the Company continues to provide for New York State and New York City taxes.

There are no material book-tax differences as of December 31, 2001.

Morgan Schiff & Co., Inc.

Notes to Statement of Financial Condition

December 31, 2001

5. Commitments and Contingencies

On October 31, 1997, the Company entered into a sublease agreement with respect to its operations. The terms of this lease were extended on August 31, 2001 to include the six months ending July 31, 2002. The minimum annual rental commitment under this sublease, exclusive of taxes and other charges, is summarized as follows:

	<u>Amount</u>
Years ending December 31:	
2002	\$156,761

6. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2001, the Company had net capital of \$151,706 as defined under such rules, and a net capital requirement of \$100,000. The Company's net capital ratio was .10 to 1.