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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- 30416

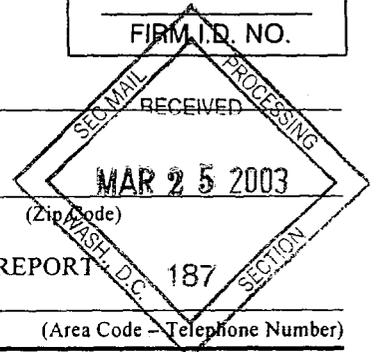
**FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Charles Street Securities, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
230 Park Ave, Suite 456
New York, NY 10169
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Beverly Stassi 973-726-7583
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Sacher & Co, 376 Route 100
Somers, NY 10589
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
APR 21 2003

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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)

Handwritten initials and marks at the bottom of the page.

OATH OR AFFIRMATION

I, Beverly Stassi, 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 Street Securities, Inc., as of December 31, 20 02, 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:

Beverly Stassi
Signature
Financial & Operations Principle
Title

Kyla S. Gilbert
Notary Public

KYLA S. GILBERT
Notary Public of New Jersey
My Commission Expires November 14, 2007
Commission ID: 2293967

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 15c3-3 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 STREET SECURITIES, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

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DECEMBER 31, 2002 AND 2001

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All other disclosures and reconciliations required under Rule 17a-5 of the Securities and Exchange Commission are not applicable to the Company.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Charles Street Securities, Inc.
New York, New York

We have audited the accompanying consolidated statement of financial condition of Charles Street Securities, Inc. and subsidiary as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charles Street Securities, Inc. and subsidiary as of December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the fair value of the not readily marketable securities owned by Charles Street Securities, Inc. at December 31, 2002 and 2001 is based upon management's best estimate of the value of these securities. The Company's portfolio of these securities consists of shares and warrants of publicly-owned businesses having minimal trading activity, and start-up privately-owned businesses. Accordingly, based on these and other reasons, management has estimated that these securities have little to no reportable value at December 31, 2002 and 2001.

Sacher + Co., PC

Somers, New York
February 15, 2003

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS		
Cash and cash equivalents	\$ 349,169	\$ 153,777
Accounts receivable	9,486	23,786
Loans to stockholder	142,316	84,227
Securities owned:		
Marketable, at market value	340	826
Not readily marketable, at estimated fair value	-	-
Equipment, net of accumulated depreciation of \$13,985 (2002) and \$9,834 (2001)	12,688	13,130
Other assets	14,567	14,473
Deferred tax asset, net	-	-
	\$ 528,566	\$ 290,219
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Bank overdraft	\$ -	\$ 5,907
Accounts payable and accrued expenses	195,091	29,323
Income taxes payable	13,397	-
Deferred credit	-	163,287
Subordinated loan	50,000	50,000
Stockholders' equity	270,078	41,702
	\$ 528,566	\$ 290,219

See notes to consolidated financial statements.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Revenue:		
Investment banking and advisory fees	\$ 1,167,998	\$ 294,945
Loss on securities owned	(486)	(60,965)
Interest	7,307	4,255
	1,174,819	238,235
Expenses:		
Bad debts	1,498	72,401
Salaries and related costs	370,831	13,592
Commissions	300,338	-
Telephone and utilities	22,880	12,484
Office expenses	136,285	65,932
Travel and entertainment	31,283	22,611
Professional fees	154,852	129,412
Rent	35,665	-
Insurance	11,533	-
Interest expense	9,985	9,944
Miscellaneous	17,032	9,573
Depreciation	4,151	2,178
	1,096,333	338,127
Income (loss) before income taxes	78,486	(99,892)
Income taxes	13,397	-
Net income (loss)	\$ 65,089	\$ (99,892)

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>Common stock *</u>		<u>Additional paid-in capital</u>	<u>Common stock to be issued **</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Par value</u>				
Balance, January 1, 2001	100	\$ 10	\$ 459,567	\$ -	\$ (317,983)	\$ 141,594
Net loss, year ended December 31, 2001	-	-	-	-	(99,892)	(99,892)
Balance, December 31, 2001	100	10	459,567	-	(417,875)	41,702
Common stock to be issued				163,287		163,287
Net income, year ended December 31, 2002	-	-	-	-	65,089	65,089
Balance, December 31, 2002	<u>100</u>	<u>\$ 10</u>	<u>\$ 459,567</u>	<u>\$ 163,287</u>	<u>\$ (352,786)</u>	<u>\$ 270,078</u>

*Par value \$.10 per share; 100 shares authorized, issued and outstanding.

** Subsequent to December 31, 2002, the Company increased its authorized shares to 200 shares and agreed to issue 30 additional shares in settlement of a \$163,287 deferred liability obligation.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Cash flows from operating activities:		
Net income (loss)	\$ 65,089	\$ (99,892)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on securities owned	486	3,408
Loss on sale of securities owned	-	16,760
Bad debts	1,498	72,401
Depreciation	4,151	2,178
Changes in operating assets and liabilities:		
Accounts receivable	12,802	(2,199)
Other assets	(2,069)	(7,168)
Accounts payable and accrued expenses	165,768	8,720
Income taxes payable	13,397	-
	<u>261,122</u>	<u>(5,792)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of equipment	(3,709)	(12,473)
Proceeds on sale of securities owned	-	14,631
Purchase of securities	-	(7,073)
Cash acquired, net of cash payment for purchase of acquired company	-	163,287
Loans to stockholder, net	(58,089)	(53,470)
Loan to affiliate	1,975	(7,305)
	<u>(59,823)</u>	<u>97,597</u>
Net cash provided by (used in) investing activities		
Cash flows (used in) financing activities:		
Decrease in bank overdraft, net	(5,907)	(110)
	<u>195,392</u>	<u>91,695</u>
Increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	153,777	62,082
	<u>153,777</u>	<u>62,082</u>
Cash and cash equivalents, end of year	<u>\$ 349,169</u>	<u>\$ 153,777</u>

See notes to consolidated financial statements.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

1. Significant accounting policies:

Nature of operations:

Charles Street Securities, Inc. ("CSS") is a private merchant banking firm which is primarily engaged in (a) investment banking for micro-cap companies, (b) discretionary investment advisory services and (c) financial advisory work. During year 2001, the Company acquired CS Capital Limited, ("CSC") and commenced a retail distribution business. CSS and CSC are collectively referred to as the "Company". Also during year 2001, the Company opened an OSJ branch office in the United States. The majority of the Company's revenue is generated in the United Kingdom. Revenue generated by the new retail business in year 2001 and the OSJ branch in years 2002 and 2001 is insignificant. Subsequently CSS commenced the retail operation as a division of CSS, and liquidated CSC during year 2002.

The Company is a registered broker/dealer under the Securities Exchange Act of 1934, a member of both the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investors Protection Corporation ("SIPC"). The Company is also subject to regulation by the Financial Services Authority in the United Kingdom.

Principles of consolidation:

Significant intercompany balances and transactions are eliminated in consolidation.

Revenue recognition:

Investment banking and advisory fees are recognized when services are completed and collection is certain.

Securities owned:

Securities owned are valued at market value based on quoted market prices, if available, or on management's estimate after giving due consideration to market liquidity and volatility.

Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, while revenue and expenses are translated at average rates of exchange for the year. Gains or losses resulting from foreign currency transactions are included in net income.

Depreciation:

Depreciation is provided on the straight-line and accelerated methods over the estimated useful service lives of the equipment.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

1. Significant accounting policies (continued):

Cash and cash equivalents:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Estimates:

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements:

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, *Business Combinations*, requiring that the purchase method be used for all business combinations initiated after June 30, 2001. This Statement requires that intangible assets be recognized as assets apart from goodwill if they meet one of two criteria – the contractual-legal right criterion or the separability criterion.

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Tangible Assets*. SFAS No. 142 presumes that goodwill and intangible assets that have indefinite useful lives will not be subject to amortization, but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives are to be amortized over their useful lives.

The Company has adopted SFAS Nos. 141 and 142 to report the acquisition of its business combination which occurred during July 2001.

Deferred credit:

The business combination completed during year 2001 gave rise to a deferred credit which represented the excess of fair value of acquired net assets over cost. The business combination involved a contingency liability which has been subsequently resolved with the Company's agreement to issue 30 shares of its common stock to the selling shareholders. Accordingly, the deferred liability that existed at December 31, 2001 is reflected as stockholders' equity at December 31, 2002.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

2. Business combination:

CSC (formerly Mercerville Limited) was acquired during year 2001 giving entire voting control to CSS. The primary reason for the acquisition was to commence a retail distribution business financed largely with the cash acquired (\$163,288). The consideration paid was a nominal amount (\$1) plus a contingent additional amount; there were no other assets nor liabilities acquired. Pursuant to the acquisition agreement, selling shareholders earn fees which are determined based on the pre-tax profits of the retail business. Key aspects of the acquisition agreement provided that:

- (a) Any costs and expenses of the retail distribution business which cannot be funded by acquired cash or revenue generated by the retail operation be funded 16.66% by the Company and 83.34% by the selling shareholders;
- (b) Management and advisory fees are deemed earned in an amount equal to pre-tax profits of the retail operation and that such fees be distributed 38% to the Company and 62% to the other selling shareholders. However, if an additional funding is made pursuant to paragraph (a) above, then the 38% and 62% distributions would be revised to 33.33% and 66.67%, respectively;
- (c) As more fully explained in the acquisition agreements, for a period of time, the selling shareholders were provided with the rights (giving rise to contingent consideration) to form a new company (which would be subject to appropriate regulatory authorization) to acquire the retail business of CSS for a nominal amount. In the event that this option was exercised, the shares of the new company would be held 20% by the Company and 80% by the selling shareholders. The agreements provided further that the transfer of assets be limited to such an aggregate amount that would not result in the Company's net capital to fall below the minimum amount prescribed by the Securities and Exchange Commission ("SEC") (see note 5).

Subsequent to December 31, 2002, the acquisition agreements were amended. Among other provisions, the amendment provides for the issuance of 30 shares of the Company's \$.10 par value common stock in exchange for the cancellation of the selling shareholders rights to acquire the retail business for a nominal amount. This provision resolved the contingent liability that was carried as a deferred liability on December 31, 2001 balance sheet and gave rise to stockholders' equity.

The amendment also provides for the cancellation of the provisions of all rights and obligations of the parties including those described in notes 2(a) and 2(b). Pursuant to the amendment, the selling shareholders earn compensation in addition to their employment contracts based on 74% of the annual pre-tax profits of the retail business, as defined and as adjusted for reserves. There was additional compensation of approximately \$22,000 earned under this provision for year 2002. The amendment further provides for the selling shareholders to fund subordinated loans to the Company equivalent to 74% of the amount of any net capital deficiency.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

3. Securities owned:

Details about securities owned are presented below.

- Capital Growth Partners PLC (previously Batsford Communications PLC), 2,419 ordinary shares as of December 31, 2002 and 2001
- Medical Sciences Technology Corporation, 25,000 common shares as of December 31, 2002 and 2001
- The Translation Group Inc., 5,000 common shares and 15,500 warrants as of December 31, 2002 and 2001
- Safe Transportation System, Inc., 17,500 warrants as of December 31, 2002 and 2001
- Safe Europe PLC, 375,000 warrants as of December 31, 2002
- Gastrodome Limited, warrants (the number of which are to be determined) as of December 31, 2002
- XeQute Solutions, Inc., 50,000 warrants as of December 31, 2002
- Vaccine Research International PLC 500,000 warrants as of December 31, 2002

All the above securities are either minimally traded or issued by start-up private companies. Accordingly, the Company has stated these securities at minimal or nominal value.

During year 2001, the Company sold its 83,000 shares in New Millennium International Inc. which were valued at \$28,522 based on quoted market prices.

4. Subordinated loan:

The Company borrowed \$50,000 from its majority stockholder under a subordination agreement. The loan, which matures on September 30, 2004, is subordinated to all un-subordinated liabilities, and requires interest at 15% per annum. The amount of the subordinated loan is considered available capital under the SEC's uniform net capital rule.

Interest on this loan amounted to \$7,500 for each of the years ended December 31, 2002 and 2001.

The Company had no changes in liabilities subordinated to general creditors for the year ended December 31, 2002.

5. Net capital requirements:

The Company is subject to the SEC's Uniform Net Capital Rule (15c3-1), which requires (a) the maintenance of minimum net capital, (b) that the ratio of aggregate indebtedness to net capital, shall not exceed 15:1, and (c) that capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10:1.

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

6. **Related party transactions:**

During years 2002 and 2001, an officer and his spouse charged the Company \$70,332 and \$33,836, respectively, for professional services rendered. Other assets at December 31, 2002 and 2001 include loans due from an affiliate of \$5,330 and \$7,305, respectively.

7. **Income taxes:**

The types of temporary differences and carryforwards that give rise to significant portions of net deferred tax and assets and liabilities include investment income or losses and capital loss carryforwards. At December 31, 2002, the Company has unused contribution deductions of \$19,782 and a capital loss carryforward of \$138,670 available to reduce future capital gains expiring through year 2007. The net deferred tax asset of \$63,381 and \$76,213 at December 31, 2002 and 2001, respectively, resulting from the differences and the carryforwards has been reduced by a valuation allowance of the same amount to reflect management's estimate that there is at least a 50% chance that no deferred tax assets will be realized.

Significant reconciling items between the income tax provisions and the income taxes computed by applying the statutory federal income tax rate to income before income taxes are primarily attributable to state income taxes, nondeductible expenses, allowances for doubtful collections, unrealized gain or loss on securities, and the benefits of carryforwards pertaining to contribution deductions and net operating losses.

The significant components of the income tax provisions are presented below:

	2002	2001
Current income taxes	\$ 13,397	\$ -
Deferred income taxes	-	-
	<u>\$ 13,397</u>	<u>\$ -</u>

8. **Consolidated statement of cash flows:**

During the years ended December 31, 2002 and 2001, the Company paid interest of \$2,483 and \$2,397, respectively. During year 2002, the Company settled a deferred liability in the amount of \$163,287 by agreeing to issue 30 of its common shares. During year 2001, the Company received an equity position in a client and other businesses valued at approximately \$40,000 in exchange for services rendered.

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Board of Directors
Charles Street Securities, Inc.
New York, New York

We have audited the accompanying consolidated financial statements of Charles Street Securities, Inc. and subsidiary as of and for the year ended December 31, 2002, and have issued our report thereon dated February 15, 2003. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information contained on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information (except the portion marked unaudited on which we express no opinion) has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 3 to the consolidated financial statements, the fair value of not readily marketable securities owned by Charles Street Securities, Inc. at December 31, 2002 is based upon management's best estimate of the value of these securities. The Company's portfolio of these securities consists of publicly-owned businesses having minimal trading activity, and start-up privately-owned businesses. Accordingly, management has estimated that these securities have no reportable value at December 31, 2002.

Somers, New York
February 15, 2003

Dachler + Co., PC

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2002

Net capital:

Total consolidated stockholder's equity		\$ 270,078
Subordinated loan		<u>50,000</u>
		320,078

Deductions/non-allowable assets

Accounts receivable	\$ 9,486		
Loans to stockholder	142,316		
Securities owned	340		
Equipment, net	12,688		
Other assets	<u>14,567</u>		<u>179,397</u>
			140,681

Less haircuts on foreign currency		<u>17,924</u>
		<u>\$ 122,757</u>

Aggregate indebtedness:

Accounts payable and accrued expenses		\$ 195,091
Income taxes payable		<u>13,397</u>
		<u>\$ 208,488</u>

Computation of basic net capital requirements

Minimum net capital required (6-2/3% of \$208,488)		\$ 13,900
Minimum dollar net capital requirement		100,000
Net capital requirement		100,000
Excess net capital		22,757
Excess net capital at 1000%		122,757
Ratio of aggregate indebtedness to net capital		1.7:1

CHARLES STREET SECURITIES, INC. AND SUBSIDIARY
RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 17a-5(d)(4)
OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2002

Net capital , as reported, in the Company's Part IIA of the FOCUS report (unaudited)	\$ 158,354
Audit adjustments relating to:	
Understatement of deductions/nonallowable assets	<u>(35,597)</u>
Net capital , as adjusted	<u>\$ 122,757</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Board of Directors
Charles Street Securities
New York, New York

In planning and performing our audit of the consolidated financial statements and supplemental schedules of Charles Street Securities, Inc. and subsidiary for the year ended December 31, 2002, 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 consolidated financial statements and not to provide assurance on 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 (or aggregate debts) and net capital under rule 17a-3(a)(11) and the reserve required by 15c3-3(e). 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 (1) making quarterly securities examinations, counts, verifications and comparisons, and the 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, and (3) obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

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 accordance 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 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 the 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 a material weakness 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 were adequate at December 31, 2002 to meet the SEC's objectives.

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

Sachs + Co., PC

Somers, New York
February 15, 2003