



BB 3/4

OMB APPROVAL	
OMB Number	3235-0123
Effective Date	January 28, 2010
OMB Burden	198..... 12.00

SEE Mail Processing Section

FEB 27 2008

Washington, DC 103

BEST AVAILABLE COPY

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



FILE NUMBER
8-36997

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 01/01/2007 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MID-ATLANTIC SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

4001 BARRETT DRIVE ; STE 100
(No. and Street)
RALEIGH N.C. 27609
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
JAMES GLOVER 919-983-7787
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BATCHELOR, TILLEY & ROBERTS, LLP
(Name - if individual, state last, first, middle name)
3605 GLENWOOD AVE. ; STE 350 RALEIGH N.C. 27612
(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 19 2008
THOMSON FINANCIAL

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)

BB 6/5 [Handwritten signatures]

MID-ATLANTIC SECURITIES, INC.

**Consolidated Financial Statements
and Internal Control Report**

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

MID-ATLANTIC SECURITIES, INC.

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1
Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Income and Comprehensive Income	3
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-10
Supplemental Information:	
Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1 of the Securities and Exchange Commission	11-12
Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	13
Independent Auditors' Report on Internal Control Required by Securities and Exchange Commission Rule 17a-5	14-15

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

DONALD A. BATCHELOR
ANN H. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8218
FACSIMILE (919) 783-6724

Independent Auditors' Report

The Board of Directors
Mid-Atlantic Securities, Inc.:

We have audited the accompanying consolidated balance sheets of Mid-Atlantic Securities, Inc. and subsidiary (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income and comprehensive income, 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 consolidated 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information contained on pages 11 through 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits 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.

Batchelor, Tillery & Roberts, LLP

February 25, 2008

MID-ATLANTIC SECURITIES, INC.

Consolidated Balance Sheets

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 948,223	815,899
Marketable securities available-for-sale	15,807	10,501
Receivable from clearing corporation	47,913	42,793
Other receivables	174,262	96,977
Prepaid expenses	4,167	3,312
Total current assets	<u>1,190,372</u>	<u>969,482</u>
Furniture and equipment, net	<u>9,609</u>	<u>11,063</u>
	<u>\$ 1,199,981</u>	<u>980,545</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable to non-customers	6,340	5,791
Accrued commissions and other payables	<u>725,720</u>	<u>607,706</u>
Total current liabilities	<u>732,060</u>	<u>613,497</u>
Deferred tax liability	<u>2,500</u>	<u>2,500</u>
Total liabilities	<u>734,560</u>	<u>615,997</u>
Stockholders' equity:		
Class A common stock, \$0.10 par value; 1,000 shares authorized; issued and outstanding, 650 shares	65	65
Class B common stock, \$0.10 par value; authorized 1,000 shares; no shares issued	-	-
Additional paid-in capital	89,545	89,545
Accumulated other comprehensive loss	(4,293)	(9,599)
Retained earnings	<u>380,104</u>	<u>284,537</u>
Total stockholders' equity	<u>465,421</u>	<u>364,548</u>
	<u>\$ 1,199,981</u>	<u>980,545</u>

See accompanying notes to consolidated financial statements.

MID-ATLANTIC SECURITIES, INC.

Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Commissions-trading and fees	\$ <u>4,257,753</u>	<u>4,016,462</u>
Expenses:		
Commissions	2,875,075	2,705,184
Salaries and benefits	780,709	685,433
Clearing charges	331,921	360,656
Professional fees	47,773	32,931
Rent	34,190	33,590
Payroll taxes	31,378	28,853
Office supplies	22,874	55,425
Travel and entertainment	13,902	12,102
Taxes and licenses	12,823	15,127
Telephone	8,204	7,972
Email service	6,848	-
Insurance	5,454	10,009
Depreciation	2,629	4,481
Subscriptions	2,367	3,539
Miscellaneous	8,237	3,021
	<u>4,184,384</u>	<u>3,958,323</u>
Income from operations	<u>73,369</u>	<u>58,139</u>
Other income:		
Interest income	25,198	16,655
Miscellaneous	35,000	-
	<u>60,198</u>	<u>16,655</u>
Income before provision for income taxes	133,567	74,794
Provision for income taxes	<u>(38,000)</u>	<u>(19,000)</u>
Net income	95,567	55,794
Other comprehensive income - net unrealized gain on marketable securities	<u>5,306</u>	<u>4,149</u>
Comprehensive income	\$ <u>100,873</u>	<u>59,943</u>

See accompanying notes to consolidated financial statements.

MID-ATLANTIC SECURITIES, INC.

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2007 and 2006

	Common stock	Additional paid- in capital	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity
Balance as of December 31, 2005	\$ 60	64,195	(13,748)	253,743	304,250
Issuance of stock (\$507.08 per share)	5	25,350	-	-	25,355
Dividends	-	-	-	(25,000)	(25,000)
Comprehensive income	-	-	<u>4,149</u>	<u>55,794</u>	<u>59,943</u>
Balance as of December 31, 2006	65	89,545	(9,599)	284,537	364,548
Comprehensive income	-	-	<u>5,306</u>	<u>95,567</u>	<u>100,873</u>
Balance as of December 31, 2007	\$ <u>65</u>	<u>89,545</u>	<u>(4,293)</u>	<u>380,104</u>	<u>465,421</u>

See accompanying notes to consolidated financial statements.

MID-ATLANTIC SECURITIES, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	\$ 95,567	55,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,629	4,481
Deferred income taxes	-	(1,000)
Changes in operating assets and liabilities:		
Receivable from clearing corporation	(5,120)	(11,800)
Other receivables	(77,285)	8,383
Prepaid expenses	(855)	73
Accrued expenses and other payables	<u>118,563</u>	<u>107,703</u>
Net cash provided by operating activities	<u>133,499</u>	<u>163,634</u>
 Cash flows from investing activities:		
Purchases of furniture and equipment	(1,175)	-
Purchases of investments	-	(4,800)
Net cash used in investing activities	<u>(1,175)</u>	<u>(4,800)</u>
 Cash flows from financing activities:		
Issuance of common stock	-	25,355
Dividends	-	(25,000)
Net cash provided by financing activities	<u>-</u>	<u>355</u>
 Net increase in cash and cash equivalents	132,324	159,189
 Cash and cash equivalents, beginning of year	<u>815,899</u>	<u>656,710</u>
 Cash and cash equivalents, end of year	\$ <u>948,223</u>	<u>815,899</u>
 Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ <u>22,738</u>	<u>3,378</u>

See accompanying notes to consolidated financial statements.

MID-ATLANTIC SECURITIES, INC.

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(1) Organization

Mid-Atlantic Securities, Inc. (the "Company") was incorporated in North Carolina on October 6, 1986 and commenced operations in January 1987. The Company is a broker-dealer in securities registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority, Inc. (FINRA). The Company is also a registered investment advisor. The Company's equity securities are cleared through two clearing broker-dealers. The clearing broker-dealers, on behalf of the Company and for a fee, conduct and confirm security trades, handle security movements and maintain the customer's security accounts. The Company does not maintain customers' security accounts nor does it perform custodial functions related to customer securities. The Company receives commissions associated with the sale and purchase of securities. In addition to the foregoing, a portion of the Company's revenues is derived from the sale of annuity contracts.

The Company's wholly-owned subsidiary, MA Securities, Inc., earns revenues from selling annuity contracts of New York-based companies. As of December 31, 2007 and 2006, MA Securities, Inc. had no assets or stockholder's equity.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements include the accounts of Mid-Atlantic Securities, Inc. and its wholly-owned subsidiary, MA Securities, Inc., after elimination of all significant intercompany accounts and transactions.

Revenue Recognition

Commissions earned on trades of securities are recognized as income when the underlying transactions are completed. Other commissions and fees are recorded when earned.

Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Marketable Securities

All marketable securities are classified as available-for-sale. As such, they are stated at market value and any unrealized holding gains and losses are reported as other comprehensive income (loss). Realized gains and losses are calculated by using the specific cost method.

MID-ATLANTIC SECURITIES, INC.

Notes to Consolidated Financial Statements, Continued

December 31, 2007 and 2006

(2) Summary of Significant Accounting Policies, Continued

Receivable from Clearing Corporation

The Company clears certain of its proprietary and customer transactions through broker-dealers on a fully disclosed basis. Commissions owed the Company from clearing brokers have been recorded as receivable from clearing corporation.

Other Receivables

The Company has accrued commissions (accounts receivable) related to various December transactions, which have been received in the subsequent year.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which are generally three to seven years.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized. The cost and related accumulated depreciation of furniture and equipment are removed from the accounts upon retirement or other disposition and any resulting gain or loss is reflected in operations for the period.

Advertising

Advertising and related costs are expensed as incurred.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes). The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

MID-ATLANTIC SECURITIES, INC.

Notes to Consolidated Financial Statements, Continued

December 31, 2007 and 2006

(3) Marketable Securities

As of December 31, 2007 and 2006, the cost basis of marketable equity securities was \$20,100. The cost of marketable equity securities exceeded the market value by \$4,293 and \$9,599 as of December 31, 2007 and 2006, respectively. The unrealized gain of \$5,306 and \$4,149 for 2007 and 2006, respectively, has been reported in other comprehensive income. A valuation allowance of 100% has been recorded against the tax effects of unrealized losses.

(4) Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 17,814	16,639
Furniture and other equipment	<u>28,040</u>	<u>28,040</u>
	45,854	44,679
Less accumulated depreciation	<u>(36,245)</u>	<u>(33,616)</u>
	\$ <u>9,609</u>	<u>11,063</u>

(5) Net Capital Requirements

The Company is subject to the requirements of 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, both as defined, shall not exceed 15 to 1. As of December 31, 2007 and 2006, the Company's net capital was \$413,179 and \$314,405 respectively (\$163,179 in excess of its required net capital of \$250,000 in 2007 and \$264,405 in excess of its required net capital of \$50,000 in 2006). The Company's ratio of aggregate indebtedness to net capital was 1.77 to 1 and 1.95 to 1 as of December 31, 2007 and 2006, respectively.

The Company qualifies under the exemption provisions of Rule 15c3-3, paragraph (k)(2)(ii), as the Company does not carry security accounts for customers or perform custodial functions relating to customers' securities. Under the exemption, the Company is not required to maintain a reserve account for the benefit of customers.

(6) Related Party Transactions

Other receivables include \$4,371 as of December 31, 2007 and 2006 due from two officers.

See note 9 concerning the office space lease with a company related by common ownership.

MID-ATLANTIC SECURITIES, INC.

Notes to Consolidated Financial Statements, Continued

December 31, 2007 and 2006

(7) Commitments and Contingencies

The Company has a clearing agreement with its principal brokerage firm whereby it must produce a minimum of \$300,000 per year of gross commissions or pay a monthly fee of \$5,000 less monthly clearing charges retained by the brokerage firm. The minimum level of commissions was met in both 2007 and 2006.

The Company is required by the clearing firms to maintain clearing deposits under the current clearing contracts totaling \$25,000 and \$54,822, respectively, as of December 31, 2007.

(8) Income Taxes

The provision for income taxes consists of:

	<u>2007</u>	<u>2006</u>
Current:		
Federal	\$ 33,000	14,000
State	<u>5,000</u>	<u>6,000</u>
	<u>38,000</u>	<u>20,000</u>
Deferred:		
Federal	-	(1,000)
State	<u>-</u>	<u>-</u>
	<u>-</u>	<u>(1,000)</u>
	<u>\$ 38,000</u>	<u>19,000</u>

The provision for income taxes differs from the amount computed by applying the U.S. Federal income tax rate of 34% to income before provision for income taxes due to state income taxes, net of the federal benefit, and multiple tax brackets.

Deferred tax liabilities arise from timing differences of different depreciation methods for property and equipment. Deferred tax assets arising from unrealized losses on marketable securities have been offset by a valuation allowance.

(9) Leases

The Company began leasing office space from a company affiliated by common ownership during 2005, for which there is no formal rental arrangement. During 2007 and 2006, the Company paid rent each year totaling \$40,190 to this company.

Total rental expense for 2007 and 2006 was \$34,190 and \$33,590, respectively, which are net of subleases which provided rental income of \$12,600 and \$13,200 in 2007 and 2006, respectively.

MID-ATLANTIC SECURITIES, INC.

Notes to Consolidated Financial Statements, Continued

December 31, 2007 and 2006

(10) Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents consist of cash and money market funds maintained with two brokerage firms and two banks. Accounts receivable are described in note 2. The Company believes there is minimal credit risk relative to its cash investments and accounts receivable.

(11) Benefit Plan

The Company has adopted a SIMPLE IRA Plan whereby employees who are expected to earn at least \$5,000 in compensation for the calendar year are eligible to participate. Eligible employees may contribute a percentage of their compensation up to \$10,000 per year. The Company matches each eligible employee's contribution, up to a limit of 3% of the employee's compensation. The Company's matching contribution for 2007 and 2006 was \$18,471 and \$16,766, respectively.

(12) Subsequent Event

In January 2008, the Company declared and paid a dividend totaling \$35,000.

MID-ATLANTIC SECURITIES, INC.

Computation of Net Capital and Aggregate Indebtedness Under
Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Net Capital</u>		
Total stockholders' equity	\$ 465,421	364,548
Add:		
Subordinated borrowings allowable in computation of net capital	-	-
Other allowable credits - deferred income taxes payable	<u>2,500</u>	<u>2,500</u>
Total capital and allowable subordinated borrowings	<u>467,921</u>	<u>367,048</u>
Deduct non-allowable assets:		
Receivable from non-customers	32,977	30,021
Furniture and equipment, net	<u>9,609</u>	<u>11,063</u>
	<u>42,586</u>	<u>41,084</u>
Net capital before haircuts on securities positions	<u>425,335</u>	<u>325,964</u>
Haircuts on securities:		
Marketable equity securities	2,371	1,575
Money market funds	<u>9,785</u>	<u>9,984</u>
	<u>12,156</u>	<u>11,559</u>
Net capital	<u>\$ 413,179</u>	<u>314,405</u>
<u>Aggregate Indebtedness</u>		
Items included in statement of financial condition:		
Accounts payable to non-customers	6,340	5,791
Accrued commissions and other payables	<u>725,720</u>	<u>607,706</u>
Total aggregate indebtedness	<u>\$ 732,060</u>	<u>613,497</u>

MID-ATLANTIC SECURITIES, INC.

Computation of Net Capital and Aggregate Indebtedness Under
Rule 15c3-1 of the Securities and Exchange Commission, Continued

December 31, 2007 and 2006

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of aggregate indebtedness)(A)	\$ <u>48,800</u>	<u>40,900</u>
Minimum dollar net capital requirement of reporting broker (B)	\$ <u>250,000</u>	<u>50,000</u>
Net capital requirement-greater of (A) or (B)	\$ <u>250,000</u>	<u>50,000</u>
Excess net capital	\$ <u>163,179</u>	<u>264,405</u>
Excess net capital at 1000% (Net capital less 10% of aggregate indebtedness)	\$ <u>339,973</u>	<u>253,055</u>
Ratio of aggregate indebtedness to net capital	<u>1.77 to 1</u>	<u>1.95 to 1</u>

Reconciliation with Company's Computation

Net capital, as reported in Company's FOCUS report (unaudited)	\$ 427,813	302,899
Audit adjustments primarily related to income taxes	<u>(14,634)</u>	<u>11,506</u>
Net capital per above	\$ <u>413,179</u>	<u>314,405</u>

MID-ATLANTIC SECURITIES, INC.

**Computation for Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission**

December 31, 2007

The Company claims exemption from Rule 15c3-3 under paragraph (k)(2)(ii). All customer transactions are cleared through another broker-dealer on a fully disclosed basis.

BACHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 18068

RALEIGH, NORTH CAROLINA 27619

**RONALD A. BACHELOR
ANN E. TILLERY
FRANKLIN T. ROBERTS
WM. JAMES BLACK, JR.
SCOTT E. CABANISS**

**3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724**

**Independent Auditors' Report on Internal Control
Required by Securities and Exchange Commission Rule 17a-5**

**The Board of Directors
Mid-Atlantic Securities, Inc.:**

In planning and performing our audit of the financial statements of Mid-Atlantic Securities, Inc. (the "Company") for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Among the elements of the internal control structure that we considered are the accounting system and control procedures.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "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 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 control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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. However, we identified the following deficiencies in internal control that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the consolidated financial statements of Mid-Atlantic Securities, Inc. as of and for the year ended December 31, 2007, and this report does not affect our report thereon dated February 25, 2008.

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those control policies and procedures that depend on the segregation of duties such as processing of cash receipts, cash disbursements, and payroll. Because this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

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 as of December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, Inc. and any 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.

Batchelor, Jilley & Roberts, LLP

February 25, 2008