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**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**

SEC Mail Processing

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Washington, DC
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REPORT FOR THE PERIOD BEGINNING 10/01/07 AND ENDING 09/30/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Powell Capital Markets, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

3 Becker Farm Road

(No. and Street)

Roseland

New Jersey

07068

(City)

(State)

(Zip Code)

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

Arthur F. Powell

(973) 740-1230

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

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

4 Becker Farm Road

Roseland

New Jersey

07068

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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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).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Arthur F. Powell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Powell Capital Markets, Inc., as of September 30, 2008, 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:

none


Signature

President & CEO
Title


Notary Public
expires 10/25/2012

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 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.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

POWELL CAPITAL MARKETS, INC.
STATEMENT OF FINANCIAL CONDITION
AND
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2008

POWELL CAPITAL MARKETS, INC.

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Certified
Public
Accountants

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Rothstein Kass

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Powell Capital Markets, Inc.

We have audited the accompanying statement of financial condition of Powell Capital Markets, Inc. (the "Company") as of September 30, 2008. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition 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 statement of financial condition 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 statement of financial condition, 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 presents fairly, in all material respects, the financial position of Powell Capital Markets, Inc. as of September 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company, P.C.

Roseland, New Jersey
December 23, 2008

POWELL CAPITAL MARKETS, INC.

STATEMENT OF FINANCIAL CONDITION

September 30, 2008

ASSETS

Cash and cash equivalent	\$	128,183
Receivable from clearing broker		27,488
Commissions receivable		126,000
Due from officer		25,806
Prepaid expenses and other current assets		15,874
Office furniture and equipment, less accumulated depreciation of \$121,207		<u>48,214</u>
	\$	<u>371,565</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accounts payable and other current liabilities	\$	26,552
Deferred income tax liability		<u>31,000</u>
Total liabilities		<u>57,552</u>

Stockholder's equity

Common stock, no par value, authorized 1,000 shares, issued and outstanding 400 shares		40,000
Additional paid-in capital		261,500
Retained earnings		<u>12,513</u>
Total stockholder's equity		<u>314,013</u>
	\$	<u>371,565</u>

POWELL CAPITAL MARKETS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of business and summary of significant accounting policies

Nature of Business

Powell Capital Markets, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

Basis of Presentation

The accompanying financial statements are presented and have been prepared in conformity with accounting principles generally accepted in the United States of America.

Cash Equivalent

The Company considers an investment in a money market account to be a cash equivalent.

Commission Receivable

Commission receivable represents receivables due from work performed relating to municipal securities underwritings.

Revenue and Expense Recognition from Securities Transactions

Management fees and profits from participation in municipal securities underwritings are recorded on the closing date of each underwriting. Securities transactions and related income and expenses are recorded on a trade date basis.

Income Taxes

The Company complies with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

Office Furniture and Equipment

Office furniture and equipment is stated at cost less accumulated depreciation. The Company provides for depreciation as follows:

Asset	Estimated Useful Life	Principal Method
Telephone and computer equipment	5 years	Straight-line
Furniture and fixtures	7 years	Straight-line

POWELL CAPITAL MARKETS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of business and summary of significant accounting policies (continued)

Use of Estimates

The preparation of 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 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.

2. Due from officer

The amount due from officer is non-interest bearing and is due on demand.

3. Profit sharing plan

The Company has a profit sharing plan, which covers all employees that meet certain eligibility requirements. Contributions to the plan are made at the discretion of the Company's Board of Directors. For the year ended September 30, 2008 the Company made no contributions to the plan.

4. Income taxes

The provision for income taxes for the year ended September 30, 2008 is summarized as follows:

Current	
Federal	\$ -
State	(295)
	<u>(295)</u>
Deferred	
Federal	1,000
State	1,000
	<u>2,000</u>
	<u>\$ 1,705</u>

The components of the Company's deferred tax liability aggregating \$31,000, primarily relate to temporary differences for depreciation and the accrual to cash basis adjustment.

5. Net capital requirements

The Company is a member of FINRA, and is subject to the SEC Uniform Net Capital rule 15c3-1. This Rule 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 and that equity capital may not be withdrawn, or cash dividends paid, if the resulting net capital ratio would exceed to 10 to 1. At September 30, 2008, the Company's net capital was approximately \$218,000, which was approximately \$118,000 in excess of its minimum required net capital of \$100,000.

POWELL CAPITAL MARKETS, INC.

NOTES TO FINANCIAL STATEMENTS

6. Commitment

The Company rents office space under an operating lease that expires in October 2011. The approximate future annual rental commitments under the lease, as of September 30, 2008 are approximately as follows:

Year ending September 30,	
2009	74,000
2010	74,000
2011	74,000
	<u>222,000</u>
	<u>\$ 222,000</u>

Rent expense recorded under this lease approximated \$70,000 for the year ended September 30, 2008.

7. Property and equipment

Property and equipment consist of the following at September 30, 2008:

Telephone and computer equipment	\$ 122,753
Furniture and fixtures	<u>46,668</u>
	169,421
Less accumulated depreciation	<u>121,207</u>
	<u>\$ 48,214</u>

Depreciation expense was \$20,047 for the year ended September 30, 2008.

8. Exemption from Rule 15c3-3

The Company is exempt from SEC Rule 15c3-3 under paragraph (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

9. Off-balance-sheet risk and concentration of credit risk

Pursuant to clearance agreement, the Company introduces all of its securities transactions to its sole clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts.

In addition, the receivable from the clearing broker is pursuant to this clearance agreement and includes a clearing deposit of \$25,000.

The Company maintains its cash balances in a financial institution. On October 3, 2008 these balances are now insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

END