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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

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
UPDATA SECURITIES, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
379 THORNALL STREET

OFFICIAL USE ONLY
FIRM I.D. NO.

EDISON NJ 08818
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
IRA COHEN (201) 784-3697
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PEGG & PEGG LLP
(Name - if individual, state last, first, middle name)
1430 BROADWAY, SUITE 1105A NEW YORK NY 10018
(Address) (City) (State) (Zip Code)

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

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)

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3/22/09

OATH OR AFFIRMATION

I, Ira 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 Updata Securities, Inc., as of December 31, 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

Lisa Lombarde
Feb. 13, 2009 Notary Public

LISA LOMBARDE
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 9/6/2012

President

Title

This report ** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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 or 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 previous audit.
- (o) Supplemental independent Auditors Report on Internal Accounting Control.

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



Tel (212) 532-4287
Fax (212) 889-1694

Pegg & Pegg LLP
Certified Public Accountants
1430 Broadway
Suite 1105A
New York, NY 10018

INDEPENDENT AUDITORS' REPORT

Board of Directors
Udata Securities, Inc.

We have audited the accompanying statement of financial condition of Udata Securities, Inc., (the "Company") as of December 31, 2008, and the related statements of operations, changes in stockholder's equity, 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 statement is 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 as well as assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Udata Securities, Inc. as of December 31, 2008 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 on pages 9 and 10 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 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.

Pegg & Pegg LLP

New York, NY
February 10, 2009

UPDATA SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2008

ASSETS

Cash (notes 2 and 3)	\$ 75,515
Investment in marketable security (note 4)	49,667
Prepaid expenses	<u>3,710</u>
 TOTAL ASSETS	 <u>\$ 128,892</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Accrued expenses	\$ 14,000
Due to Parent (note 7)	<u>2,898</u>
 TOTAL LIABILITIES	 <u>\$ 16,898</u>
 Stockholder's equity:	
Common stock, \$0.10 par value, authorized 1,000 shares; issued and outstanding 1 share	\$ -
Capital in excess of par value	303,133
Unrealized loss on marketable security (note 4)	(27,582)
Accumulated deficit	<u>(163,557)</u>
 TOTAL STOCKHOLDER'S EQUITY	 <u>\$ 111,994</u>
 TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	 <u>\$ 128,892</u>

The accompanying notes are an integral part of these financial statements.

UPDATA SECURITIES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenue:	
Financial advisory service income	\$ 325,243
Expenses:	
Employee compensation and benefits	224,000
Professional fees	52,474
Rent	24,084
General and administrative expenses	24,000
Travel and entertainment	15,113
Utilities and telephone	6,132
Regulatory	4,096
Insurance	719
Office	10,234
Franchise taxes (note 6)	1,019
Other expenses	<u>1,792</u>
	<u>\$ 363,663</u>
Net loss	<u>\$ (38,420)</u>

The accompanying notes are an integral part of these financial statements.

UPDATA SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Unrealized Gain (Loss) on Marketable Security</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at January 1, 2008	-	\$ 303,133	\$ -	\$(102,911)	\$ 200,222
Prior period adjustment (note 5)	<u>-</u>	<u>-</u>	<u>22,226</u>	<u>(22,226)</u>	<u>-</u>
Balance at beginning of year as stated	-	\$ 303,133	\$ 22,226	\$(125,137)	\$ 200,222
Unrealized loss	-	-	(49,808)	-	(49,808)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,420)</u>	<u>(38,420)</u>
Balance at December 31, 2008	<u>-</u>	<u>\$ 303,133</u>	<u>\$ (27,582)</u>	<u>\$(163,557)</u>	<u>\$ 111,994</u>

The accompanying notes are an integral part of these financial statements.

UPDATA SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash flows from operating activities:	
Net loss	\$ (38,420)
Adjustment to reconcile net income to net cash used in operating activities:	
Decrease (increase) in:	
Prepaid expenses	(493)
Due from Parent	37,487
Increase (decrease) in operating liabilities:	
Accrued expenses	(5,000)
Due to Parent	<u>2,898</u>
Net cash used in operating activities	\$ (3,528)
Cash and cash equivalents at the beginning of the year	<u>79,043</u>
Cash and cash equivalents at the end of the year	<u>\$ 75,515</u>
Supplemental disclosure:	
Non-cash investing activity:	
Unrealized loss on marketable securities	<u>\$ (49,808)</u>
Taxes paid	<u>\$ 1,019</u>

The accompanying notes are an integral part of these financial statements.

UPDATA SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Organization and Nature of Business

Udata Securities, Inc. (the "Company") was incorporated on June 9, 2003 in the state of Delaware. The Company a wholly owned Subsidiary of Udata Advisors Inc.(the "Parent") is a broker-dealer registered with the Securities and Exchange Comission ("SEC") and is a member of the Financial Industry Regulatory Authority.

The Company provides investment banking services to middle-market technology companies. It also provides strategic advisory services related to mergers and acquisitions as well as assisting IT companies' with efforts to raise capital through private placements.

2. Significant Accounting Policies

The Company records financial advisory service revenue as earned, generally upon the closing of a transaction.

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Management has elected not to issue comparative financial statements.

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

3. Concentration of Credit Risk

The Company maintains its cash in a bank account which, at times, may exceed federally insured limits. The Company has not experienced and management does not anticipate any losses on this account.

4. Investment in Marketable Security

During 2006, the Company purchased 2010 shares of the Nasdaq Stock Market Inc. for \$77,249. The Fair Market Value at December 31, 2008 was \$49,667. The investment is classified as "available for sale."

In accordance with Statement of Financial Accounting Standards Number 115, "Accounting for Certain Investments in Debt and Equity Securities," stockholder's equity was decreased by \$27,582 to reflect the unrealized loss on the marketable security.

5. **Prior Period Adjustment**

The change in the market value of the Company's investment in a marketable security was incorrectly reflected in the Company's statement of operations in prior periods. The beginning of the year accumulated deficit was restated to correctly reflect the change in value as a component of stockholder's equity.

6. **Franchise Taxes**

The Company is a qualified Subchapter S. Subsidiary of Udata Advisors Inc. As such, the Parent's shareholders are liable for federal and state taxes on corporate income and such shareholders receive the benefit of corporate loss. The Company is liable for franchise tax in various states that totaled \$1,019 during the year.

7. **Related Party Transactions**

The Company has an administrative services agreement with its parent whereby certain overhead expenses are allocated to the Company. During the year approximately \$303,000 was charged as follows:

Employee compensation and benefits	\$ 224,000
Rent	24,000
General and administrative expense	24,000
Other expenses	<u>31,000</u>
	<u>\$ 303,000</u>

At December 31, 2008, \$2,898 was owed to the Company's parent for such services.

8. **Regulatory Requirements**

As a registered broker-dealer, the Company is subject to the SEC 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 (and the rule of applicable exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.) Net capital and aggregate indebtedness change from day to day. As of December 31, 2008, the Company had net capital of \$95,237 which was \$90,237 in excess of the required minimum at that date. The Company's ratio of aggregate indebtedness to net capital was .18 to 1.

SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES AND EXCHANGE ACT OF 1934
DECEMBER 31, 2008

UPDATA SECURITIES, INC.
COMPUTATION OF NET CAPITAL PURSUANT TO
UNIFORM NET CAPITAL RULE 15c-3-1
DECEMBER 31, 2008

Stockholder's equity		\$ 111,994
Deduction for non-allowable assets:		
Prepaid expenses		<u>3,710</u>
Net capital before haircuts		108,284
Haircuts on securities:		
Marketable securities	\$	7,450
Undue concentration		<u>5,597</u>
	\$	13,047
Net capital		95,237
Aggregate indebtedness		<u>16,898</u>
Computed minimum net capital required (6.67% of aggregate indebtedness)	\$	1,127
Minimum net capital required (under SEC Rule 15c3-1)	\$	<u>5,000</u>
Excess net capital (\$95,237 - \$5,000)		<u>\$ 90,237</u>
Percentage of aggregate indebtedness to net capital	\$ <u>16,898</u> \$ 95,237	<u>18%</u>

There are no material differences between the computation of net capital presented above and the computation of net capital the Company's unaudited Form X-17A-5, Part II-A filing as of December 31, 2008.

UPDATA SECURITIES, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENT
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2008

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS:

The Company operates under the exemptive provisions of paragraph (k)(2)(i) of SEC Rule 15c3-3.

INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS:

The Company has complied with the exemptive requirements of SEC Rule 15c3-3 and did not maintain possession or control of any customer funds or securities as of December 31, 2008.



Pegg & Pegg LLP
Certified Public Accountants
1430 Broadway
Suite 1105A
New York, NY 10018

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

To the Board of Directors
Udata Securities, Inc.

In planning and performing our audit of the financial statements of Udata Securities, Inc. ("the Company") as of and for the year ended December 31, 2008, 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 audit 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 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 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.

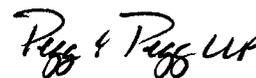
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control 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 statement 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 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 purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and the 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, 2008, 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.



New York, NY
February 10, 2009

UPDATA SECURITIES, INC.

**Financial Statements
and Supplementary Information**

**For the Year Ended
December 31, 2008**

(With Independent Auditors' Report Thereon)

**Pegg & Pegg LLP
New York, NY**