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

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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: Owens Securities Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2221 Olympic Blvd.

Walnut Creek (City) CA (State) 94595 (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Moss Adams LLP

One California St., 4th Fl., San Francisco, CA 94111
(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)

2M

OATH OR AFFIRMATION

I, Bryan H. Draper, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Owens Securities Corp., 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:

[Signature]
Signature
[Title]
Title

[Signature]
Notary Public



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).

OWENS SECURITIES CORPORATION

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Owens Securities Corporation

We have audited the accompanying statements of financial condition of Owens Securities Corporation (a wholly owned subsidiary of Owens Financial Group) ("the Company") as of December 31, 2008 and 2007, and the related statements of operations, changes in stockholder's 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 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 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens Securities Corporation as of December 31, 2008 and 2007, 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 basic financial statements taken as a whole. The information contained in the Supplementary Information 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 audits 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.



San Francisco, California
February 25, 2009

FINANCIAL STATEMENTS

OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

	ASSETS	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,004	\$ 39,840
Interest receivable	2	102
Total current assets	<u>24,006</u>	<u>39,942</u>
OTHER INVESTMENTS	<u>7,413</u>	<u>14,847</u>
	<u>\$ 31,419</u>	<u>\$ 54,789</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 10,800</u>	<u>\$ 1,300</u>
STOCKHOLDER'S EQUITY		
Common stock, \$1 par value; 10,000,000 shares authorized; 15,000 shares issued and outstanding	15,000	15,000
Additional paid-in capital	124,700	124,700
Accumulated deficit	<u>(119,081)</u>	<u>(86,211)</u>
	<u>20,619</u>	<u>53,489</u>
	<u>\$ 31,419</u>	<u>\$ 54,789</u>

See accompanying notes.

OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
STATEMENTS OF OPERATIONS
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Interest and other income	\$ 334	\$ 35,769
Unrealized gain (loss) on securities	(7,434)	5,610
Total revenues	<u>(7,100)</u>	<u>41,379</u>
General and administrative expenses	<u>24,970</u>	<u>21,948</u>
Income (loss) from operations	<u>(32,070)</u>	<u>19,431</u>
Income (loss) before provision for income taxes	<u>(32,070)</u>	<u>19,431</u>
Provision for income taxes	<u>(800)</u>	<u>(800)</u>
NET INCOME (LOSS)	<u>\$ (32,870)</u>	<u>\$ 18,631</u>

OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
Year Ended December 31, 2008 and 2007

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Balances at January 1, 2007	15,000	\$ 15,000	\$ 104,700	\$ (104,842)	\$ 14,858
Net income	-	-	-	18,631	18,631
Capital contributed from parent	-	-	20,000	-	20,000
Balances at December 31, 2007	15,000	15,000	124,700	(86,211)	53,489
Net loss	-	-	-	(32,870)	(32,870)
Balances at December 31, 2008	<u>15,000</u>	<u>\$ 15,000</u>	<u>\$ 124,700</u>	<u>\$ (119,081)</u>	<u>\$ 20,619</u>

See accompanying notes.

OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ (32,870)	\$ 18,631
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in interest receivable	100	(91)
Change in accounts payable	9,500	500
Unrealized (gain) loss on investments	7,434	(5,610)
Net cash flows used in operating activities	(15,836)	13,430
Cash flows provided by financing activities:		
Additional paid-in capital contributed	-	20,000
Net cash flows provided by financing activities	-	20,000
INCREASE (DECREASE) IN CASH	(15,836)	33,430
Cash and cash equivalents at beginning of year	39,840	6,410
Cash and cash equivalents at end of year	\$ 24,004	\$ 39,840
Supplementary cash flows information:		
Income taxes paid by parent	\$ 800	\$ 800

See accompanying notes.

OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Owens Securities Corporation (the Company) was incorporated in September 1988 in the State of California. The Company is a registered broker-dealer with the Securities and Exchange Commission (the "SEC"), is a member of the Financial Industry Regulatory Authority, Inc. (the "FINRA"), and is a wholly-owned subsidiary of Owens Financial Group Inc. ("OFG" or "Parent"). Its operations, as an introducing broker, consist of solely effecting transactions of limited partnership interests in Owens Mortgage Investment Fund, an affiliated company. During the years ended December 31, 2008 and 2007, no commission revenue was earned. The Company is exempt from the provisions of SEC Rule 15c3-3 under paragraph (k)(1) because the Company's transactions are limited to the purchase, sale, and redemption of redeemable securities of a registered investment company.

The Company's operation is solely dependent on the continued funding from OFG. If OFG were to discontinue the funding to the Company, its financial position and results of operation would be adversely affected.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Management Estimates - The Company uses the accrual method of accounting for financial reporting purposes.

In general, the preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include highly liquid investments, including a money market fund.

Income Taxes - The Company has elected S-Corporation status for federal and state tax purposes. For an S-Corporation, federal and state taxes on income are taxed to the individual stockholder. While the income is not subject to federal corporation income tax at the corporate level, it is subject to a 1.5% California franchise income tax.

The provision for income taxes for the years ended December 31, 2008 and 2007, consists of minimum state franchise tax of \$800.

Other Investments - The Company's other investment consists of an investment in NASDAQ Stock Market, Inc., which is held as a trading security. The Company accounts for its investment at fair value based on quoted market prices, and changes in fair value are recognized in the statement of operations in the period of the change in fair value. The fair value of the investment was \$7,413 and \$14,847 as of December 31, 2008 and 2007, respectively.

NOTE 3 - FAIR VALUE

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair values for disclosure purposes.

Fair Value Hierarchy - Under SFAS 157, the Company groups assets and liabilities at fair value in three levels based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
NOTES TO THE FINANCIAL STATEMENTS

These levels are:

- | | |
|---------|--|
| Level 1 | Valuation is based upon quoted prices for identical instruments traded in active markets. |
| Level 2 | Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. |
| Level 3 | Valuation is generated from model-based techniques that use at least one significant assumption that is not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. |

Following is a description of valuation methodologies used for assets recorded at fair market value.

Other Investments - Other investments are recorded at fair value on a recurring basis. Management's analysis of the fair value of other investments resulted in an unrealized loss of \$7,434 as of December 31, 2008. Level 1 inputs were used to determine the fair value of this security.

NOTE 4 - COST SHARING AGREEMENT

As of January 1, 2008, the Company entered into a Cost Sharing Agreement with its Parent, whereby the Company will reimburse OFG \$10,000 per year for certain overhead costs. In addition, the Company will reimburse OFG for any income tax liability incurred by OFG on behalf of the Company.

NOTE 5 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires (1) the maintenance of minimum net capital, as defined, of \$5,000; and (2) a maximum ratio of aggregate indebtedness to net capital, as defined, not to exceed 15 to 1. At December 31, 2008, the Company had net capital of \$19,507, which was \$14,507 in excess of its required net capital, and a ratio of aggregate indebtedness to net capital of 0.55 to 1.00. At December 31, 2007, the Company had net capital of \$51,262, which was \$46,262 in excess of its required net capital, and a ratio of aggregate indebtedness to net capital of 0.02 to 1.00.

SUPPLEMENTARY INFORMATION



OWENS SECURITIES CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF OWENS FINANCIAL GROUP)
COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15C3-1 UNDER
THE SECURITIES EXCHANGE ACT OF 1934 (SCHEDULE 1)
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net capital		
Total stockholder's equity	\$ 20,619	\$ 53,489
less: haircuts on securities positions	<u>(1,112)</u>	<u>(2,227)</u>
Net capital	<u>\$ 19,507</u>	<u>\$ 51,262</u>
Computation of basic net capital requirement:		
Minimum net capital required	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ 14,507</u>	<u>\$ 46,262</u>
Ratio of aggregate indebtedness to capital	<u>0.55 to 1.00</u>	<u>0.02 to 1.00</u>

Reconciliation of net capital:

The net capital as reported in the accompanying financial statements equals the net capital as reported in the Company's unaudited filing of Part IIA of the FOCUS reports as of December 31, 2008 and 2007

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
REQUIRED BY SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 17A-5**

Board of Directors
Owens Securities Corporation

In planning and performing our audits of the financial statements of Owens Securities Corporation (the Company), as of and for the years ended December 31, 2008 and 2007, 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 auditing 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, 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 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;
2. Complying with the requirements for prompt payment of 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 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. We did not identify any 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 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, 2008, to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, the Financial Industry Regulatory Authority, Inc., and other regulatory agencies, which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used by anyone other than these specific parties.

Moss Adams LLP

San Francisco, California
February 25, 2009