

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC Mail Processing

Section

FEB 25 2010

Washington, DC

SEC FILE NUMBER  
8-65170

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 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

DOUGLAS FINANCIAL, LLC

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

159 VALLEY ROAD

(No. and Street)

PRINCETON  
(City)

NJ  
(State)

08540  
(Zip Code)

OFFICIAL USE ONLY  
FIRM ID. NO.

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

ANDREW DOUGLAS LOGUE

(609) 921-1243  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

VB&T Certified Public Accountants, PLLC

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

183 MADISON AVENUE, SUITE 204  
(Address)

New York  
(City)

New York  
(State)

10016  
(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

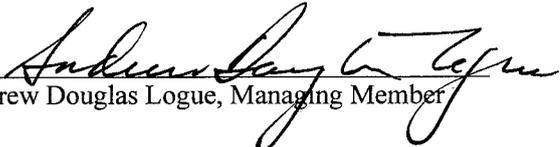
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

OATH OR AFFIRMATION

I, Andrew Douglas Logue, Managing Member, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Douglas Financial, LLC, (Company), as of December 31, 2009, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Andrew Douglas Logue, Managing Member

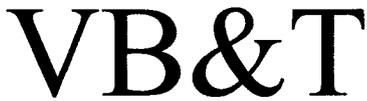
Sworn and subscribed to before me this 22 day of February, 2010.



NOTARY PUBLIC OF NEW JERSEY  
CARLY A. VICHROSKI  
ID # 2193038  
Commission Expires August 29, 2011

This report contains (check all applicable boxes):

|  | Page    |
|--|---------|
| <input type="checkbox"/> (a) Report of Independent Registered Public Accounting Firm   | 1       |
| <input checked="" type="checkbox"/> (a) Facing page.   |         |
| <input checked="" type="checkbox"/> (b) Balance Sheet.   | 2       |
| <input checked="" type="checkbox"/> (c) Statement of Operations.   | 3       |
| <input checked="" type="checkbox"/> (d) Statement of Cash Flows.   | 4       |
| <input checked="" type="checkbox"/> (e) Statement of Changes in Member's Equity.   | 5       |
| <input type="checkbox"/> (f) Statement of Changes in Subordinated Liabilities (not applicable).  |         |
| <input checked="" type="checkbox"/> Notes to Financial Statements.   | 6 - 7   |
| <input checked="" type="checkbox"/> (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.  | 8       |
| <input type="checkbox"/> (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.  |         |
| <input type="checkbox"/> (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).                                    |         |
| <input type="checkbox"/> (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3 (not required). |         |
| <input type="checkbox"/> (k) A Reconciliation Between the Audited and Unaudited Consolidated Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).  |         |
| <input type="checkbox"/> (l) An Oath or Affirmation.   |         |
| <input checked="" type="checkbox"/> (m) A Copy of the SIPC Supplemental Report (not required).   | 9 - 10  |
| <input checked="" type="checkbox"/> (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).                              | 11 - 12 |



Certified Public Accountants, PLLC

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Members of  
Douglas Financial, LLC

We have audited the accompanying balance sheet of Douglas Financial, LLC, as of December 31, 2009 and the related statements of operations, changes in member's equity, and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit provides 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 Douglas Financial LLC at December 31, 2009, and the results of its operations, changes in member's equity, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principals.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on page 8 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 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the examination 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.

*VB&T CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

New York, NY  
February 16, 2010

Registered with the Public Company Accounting Oversight Board  
Member of the American Institute of Certified Public Accountants

**DOUGLAS FINANCIAL LLC  
BALANCE SHEET  
DECEMBER 31, 2009**

ASSETS

|              |                         |
|--------------|-------------------------|
| Cash         | <u>\$ 21,621</u>        |
| Total Assets | <u><u>\$ 21,621</u></u> |

LIABILITIES AND MEMBER'S EQUITY

|                                       |                         |
|---------------------------------------|-------------------------|
| Accounts payable and accrued expenses | <u>\$ 6,538</u>         |
| Total Liabilities                     | <u>6,538</u>            |
| Contingencies                         | -                       |
| Member's equity                       | <u>15,083</u>           |
| Total Liabilities and Member's Equity | <u><u>\$ 21,621</u></u> |

See Independent Accountants' Report and Accompanying Notes

**DOUGLAS FINANCIAL LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|                             |                         |
|-----------------------------|-------------------------|
| Revenues:                   |                         |
| Financial advisory services | <u>\$ 1,125,026</u>     |
| Total Revenues              | <u>1,125,026</u>        |
| Costs and Expenses:         |                         |
| Commisson                   | 1,044,692               |
| Professional fees           | 30,850                  |
| Regulatory fees             | 24,069                  |
| Communication               | 4,054                   |
| Rent                        | 3,500                   |
| Office                      | 736                     |
| Insurance                   | 326                     |
| Total Costs and Expenses    | <u>1,108,227</u>        |
| Net Income                  | <u><u>\$ 16,799</u></u> |

See Independent Accountants' Report and Accompanying Notes

**DOUGLAS FINANCIAL LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|  |                         |
|--|-------------------------|
| Cash Flows From Operating Activities:  |                         |
| Net Income   | \$ 16,799               |
| Adjustment to reconcile net income to net cash provided by operating activities: |                         |
| (Decrease) in accounts payable and accrued expenses                              | <u>(3,777)</u>          |
| Net Cash Provided By Operating Activities  | <u>13,022</u>           |
| Cash Flows From Investing Activities:  |                         |
|  | -                       |
| Cash Flows From Financing Activities:  |                         |
| Member's distributions   | <u>(33,684)</u>         |
| Net Cash (Used) By Financing Activities:   | (33,684)                |
| Net (Decrease) In Cash   | (20,662)                |
| Cash at beginning of the year  | <u>42,283</u>           |
| Cash at end of the year  | <u><u>\$ 21,621</u></u> |

See Independent Accountants' Report and Accompanying Notes

**DOUGLAS FINANCIAL LLC**  
**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|                            | <u>Total<br/>Member's Equity</u> |
|----------------------------|----------------------------------|
| Balance, January 1, 2009   | \$ 31,968                        |
| Member's Distribution      | (33,684)                         |
| Net Income                 | <u>16,799</u>                    |
| Balance, December 31, 2009 | <u>\$ 15,083</u>                 |

See Independent Accountants' Report and Accompanying Notes

DOUGLAS FINANCIAL, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**1. ORGANIZATION AND NATURE OF BUSINESS**

Douglas Financial, L.L.C. (the Company) was formed on October 10, 2001 in the State of New Jersey as a broker-dealer in securities transactions under the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation.

The Company's income is derived from fees earned by raising money from entities and individuals for placement with money managers and investing by professional managers with whom the Company has agreements. The Company also receives fees from individuals acting as registered representatives of the firm.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**CASH AND CASH EQUIVALENTS**

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair market value.

**ACCRUAL BASIS OF ACCOUNTING**

The Company's financial statements are prepared using the accrual method of accounting. The Company's year end is December 31.

**REVENUES**

The Company records income from investment banking and service fees as earned, generally upon closing of a transaction.

**INCOME TAXES**

The Company elected to be treated as a general partnership and the accompanying financial statements do not include any provision for federal or state income taxes. Each member of the Company is individually responsible for reporting his share of the Company's income or loss.

DOUGLAS FINANCIAL, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**USE OF ESTIMATES**

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 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.

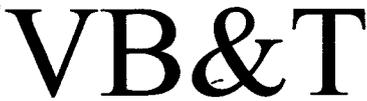
**3. NET CAPITAL**

The Company is a member of the FINRA and subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000, and requires that the ratio of aggregate indebtedness to net capital, both as defined, not exceed 15 to 1. At December 31, 2009 the Company had net capital of \$15,083, which was \$10,083 in excess of the FINRA minimum capital requirement.

**DOUGLAS FINANCIAL LLC**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2009**

|   |                  |
|---|------------------|
| <b>NET CAPITAL:</b>   |                  |
| Total member's equity   | \$ 15,083        |
| <b>Deductions and/or charges:</b>                               |                  |
| Non-allowable assets:   | -                |
| Net capital before haircuts on securities positions             | <u>15,083</u>    |
| Haircuts on securities positions                                | <u>-</u>         |
| Undue concentration   | <u>-</u>         |
| Net Capital   | <u>\$ 15,083</u> |
| <b>AGGREGATE INDEBTEDNESS:</b>                                  |                  |
| Items included in the statement of financial condition:         |                  |
| Accounts payable and accrued expenses                           | <u>\$ 6,538</u>  |
| <b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:</b>            |                  |
| Minimum net capital required (6-2/3% of aggregate indebtedness) | <u>\$ 436</u>    |
| Minimum net capital required                                    | <u>\$ 5,000</u>  |
| Excess net capital  | <u>\$ 10,083</u> |
| Excess net capital at 1000%                                     | <u>\$ 14,429</u> |
| Percentage of aggregate indebtedness to net capital is          | <u>43%</u>       |

The above computation does not differ materially from the December 31, 2009 computation of net capital filed electronically by the Company on FOCUS Form X-17A-5 Part IIA.



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## **Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation**

To the member of  
Douglas Financial LLC  
159 Valley Road  
Princeton, NJ 08540

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the period from April 1, 2009 to December 31, 2009, which were agreed to by Douglas Financial LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC solely to assist you and the other specified parties in evaluating Douglas Financial LLC's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). Douglas Financial LLC's management is responsible for the Douglas Financial LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement records entries noting no differences;
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2009 less revenues reported on the Focus reports for the period from January 1, 2009 to March 31, 2009 as applicable, with the amounts reported in Form SIPC-7T for the period from April 1, 2009 to year ended December 31, 2009 noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers supporting the adjustments noting no differences; and

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5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7T on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties

*OB+J CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

New York, NY  
February 16, 2010

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Certified Public Accountants, PLLC

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

To the Members of  
Douglas Financial LLC

In planning and performing our audit of the financial statements and supplementary information of Douglas Financial LLC, (the "Company") for the year ended December 31, 2009, we considered its internal control structure, including procedures for safeguarding securities, 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.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including 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; 2) Recordation of differences required by Rule 17a-13, or, 3) Complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining a system of internal accounting 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 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.

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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 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 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, 2009, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), 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.

*OB+J CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

New York, NY  
February 16, 2010

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