



SECURITIES 10028325 DIVISION  
Washington, D.C. 20549

PSP 3/4

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

SEC FILE NUMBER
8-53038

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Municipal Capital Markets Group, Inc.

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

4851 LBJ Freeway, Suite 200

(No. and Street)

Dallas

(City)

Texas

(State)

75244

(Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

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

Karen M. Woodliff, CPA

972-663-6552

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

CF & Co., L.L.P.

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

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

SEC Mail  
Mail Processing  
Section

75244

(Zip Code)

CHECK ONE:

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

MAR 17 2010

Washington, DC  
108

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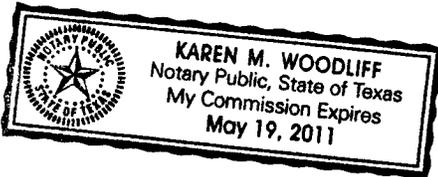
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

PSP 3/4

OATH OR AFFIRMATION

I, Fred R. Cornwall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Municipal Capital Markets Group, Inc., 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:

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



*Fred R. Cornwall*  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
President  
\_\_\_\_\_  
Title

*Karen M. Woodliff*  
\_\_\_\_\_  
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 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 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 control

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

MUNICIPAL CAPITAL MARKETS GROUP, INC.

REPORT PURSUANT TO RULE 17a-5(d)

FOR THE YEAR ENDED  
DECEMBER 31, 2009

MUNICIPAL CAPITAL MARKETS GROUP, INC.

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*CF & Co., L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Stockholders  
Municipal Capital Markets Group, Inc.

We have audited the accompanying statement of financial condition of Municipal Capital Markets Group, Inc. as of December 31, 2009, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, 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 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 Municipal Capital Markets Group, Inc. as of December 31, 2009, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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.

A handwritten signature in black ink that reads 'CF &amp; Co., L.L.P.' in a cursive, stylized font.

CF & Co., L.L.P.

Dallas, Texas  
February 24, 2010

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Statement of Financial Condition  
December 31, 2009

**ASSETS**

Cash and cash equivalents	\$ 67,324
Receivables from broker-dealers	133,534
Other receivables	1,056
Prepaid expenses	8,310
Non-marketable securities owned	2,490
Office equipment, net of accumulated depreciation of \$59,138	16,120
Goodwill	391,000
Securities owned - bonds	<u>327,484</u>
	<u>\$ 947,318</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 41,936
Commissions payable	<u>39,572</u>
Total liabilities	<u>81,508</u>
<b>Stockholders' equity</b>	
Common stock – authorized 1,000,000 shares of \$.01 par value; 104,903 shares issued and 74,903 shares outstanding	1,049
Treasury stock, 30,000 shares at par value	(300)
Additional contributed capital	658,832
Retained earnings	<u>206,229</u>
Total stockholders' equity	<u>865,810</u>
	<u>\$ 947,318</u>

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

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Statement of Income  
For the Year Ended December 31, 2009

<b>Revenues</b>	
Underwriting income	\$ 2,824,495
Advisory consulting income	267,107
Reimbursement income	44,743
Realized and unrealized loss on investments	8,375
Mutual fund income	89,039
Money market income	16,821
Interest income	2,142
Trading income	13,484
Other income	<u>450</u>
	<u>3,266,656</u>
<b>Expenses</b>	
Commissions, salary, and benefits	2,466,635
Underwriting expense	367,250
Investment advisor expense	20,182
Mutual fund expense	71,585
Occupancy	119,608
Other	<u>227,415</u>
	<u>3,272,675</u>
Income (loss) before income taxes	(6,019)
State income tax expense	<u>143</u>
Net Income (Loss)	<u>\$ (5,876)</u>

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Statement of Changes in Stockholders' Equity  
For the Year Ended December 31, 2009

	<u>Shares</u>	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Additional Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at December 31, 2008	104,903	\$ 1,049	\$ (300)	\$ 658,832	\$ 212,105	\$ 871,686
Net income (loss)	_____	_____	_____	_____	(5,876)	(5,876)
Balances at December 31, 2009	<u>104,903</u>	<u>\$ 1,049</u>	<u>\$ (300)</u>	<u>\$ 658,832</u>	<u>\$ 206,229</u>	<u>\$ 865,810</u>

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Statement of Changes in Liabilities Subordinated  
To Claims of General Creditors  
For the Year Ended December 31, 2009

Balance at December 31, 2008	\$	--
Increases		--
Decreases		<u>    --</u>
Balance at December 31, 2009	\$	<u>    --</u>

MUNICIPAL CAPITAL MARKETS GROUP, INC.

Statement of Cash Flows  
For the Year Ended December 31, 2009

<b>Cash flows from operating activities</b>	
Net income (loss)	\$ (5,876)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Loss on disposal of assets	862
Depreciation	7,196
Changes in operating assets and liabilities	
Increase in prepaid expense	(531)
Increase in receivables from broker-dealers	(33,163)
Decrease in other receivables	2,942
Increase in trading account - bonds	(327,484)
Decrease in accounts payable and accrued expenses	(7,044)
Increase in commissions payable	<u>17,567</u>
Net cash used by operating activities	<u>(345,531)</u>
<b>Cash flows from investing activities</b>	
Purchase of computer and office equipment	<u>(8,409)</u>
Net cash used by investing activities	<u>(8,409)</u>
<b>Cash flows from financing activities</b>	
Net cash used by financing activities	<u>--</u>
Net decrease in cash and cash equivalents	(353,940)
Cash and cash equivalents at beginning of year	<u>421,264</u>
Cash and cash equivalents at end of year	<u>\$ 67,324</u>
<b>Supplemental schedule of cash flow information</b>	
Cash paid during the year for:	
Interest	<u>\$ --</u>
Income taxes	<u>\$ 10,407</u>

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

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Notes to Financial Statements  
December 31, 2009

Note 1 - Summary of Accounting Policies

Municipal Capital Markets Group, Inc. (the "Company") is registered with the Securities Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a securities broker-dealer and operates under the exemptive provision of SEC Rule 15c3-3(k)(2)(i). Its primary activity is underwriting bond issues for tax-exempt entities throughout the United States.

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

**Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid instruments purchased with a maturity of three months or less are considered to be cash equivalents.

**Receivable from Broker-Dealers**

Receivable from broker-dealers represents cash with the broker-dealer. The Company conducts business with one broker-dealer for its underwriting activities. The Company is subject to credit risk to the extent any broker-dealer with which the Company conducts business is unable to deliver cash balances or securities, or clear security transactions on the Company's behalf. The Company believes the likelihood of loss under these circumstances is remote.

**Depreciation and Amortization**

Depreciation is provided in amounts sufficient to relate the cost of depreciable or amortizable assets to operations over their estimated service lives. The straight-line method is used over three to seven years.

**Goodwill**

Goodwill represents the excess of business acquisition costs over the fair value of net assets acquired. The Company has adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Intangible Assets*. Under SFAS 142, goodwill and intangible assets with indefinite lives are not amortized, but are tested annually for impairment or more frequently as circumstances dictate.

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Notes to Financial Statements  
December 31, 2009

Note 1 - Summary of Accounting Policies (continued)

**Revenue Recognition**

Revenues from underwriting services are recognized upon successful placement. Revenues from advisory fees are recognized as the services are performed.

**Trade/Settlement Date**

Transactions in securities are recorded on a settlement-date basis, which is three business days after trade date. If materially different, these transactions are recorded on a trade-date basis.

**Income Taxes**

The Company has elected "S" Corporation status under the Internal Revenue Code, which provides for profits and losses of the Company to be recognized on the stockholders' personal income tax returns for Federal income tax purposes. State income tax expense consists of Texas franchise taxes, Colorado state income taxes, and New York state income taxes.

On December 30, 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position ("FSP") No. FIN 48-3 (FASB ASC 740), "*Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Entities*," which permitted the Company to defer the implementation of FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FASB ASC 740) until its fiscal year beginning January 1, 2009. FASB ASC 740 clarifies that management is expected to evaluate an income tax position taken, or expected to be taken, for likelihood of realization, before recording any amounts for such position in the financial statements. FASB ASC 740 also requires expanded disclosure with respect to income tax positions taken that are not certain to be realized. The Company adopted FASB ASC 740 for its year ended December 31, 2009. The adoption did not have a material impact on the Company's financial statements.

**Marketable Securities**

Marketable securities owned and securities sold, but not yet purchased, are carried at quoted market value. Securities owned not readily marketable are carried at estimated fair value as determined by management of the Company. Securities not readily marketable include: (a) securities which cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933; or (c) securities which cannot be offered or sold immediately because of other restrictions or conditions. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Notes to Financial Statements  
December 31, 2009

Note 1 - Summary of Accounting Policies (continued)

**Recent Pronouncements**

The FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (“SFAS 168”) (FASB ASC 105-10). SFAS 168 replaces all previously issued accounting standards and establishes the *FASB Accounting Standards Codification* (“FASB ASC” or the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. SFAS 168 is effective for all annual periods ending after September 15, 2009. The FASB ASC is not intended to change existing U.S. GAAP. The adoption of this pronouncement only resulted in changes to the Company’s financial statement disclosure references. As such, the adoption of this pronouncement had no effect on the Company’s financial statements.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events* (“SFAS 165”), included in the Codification under FASB ASC 855, which establishes general standards of accounting for and disclosure of events occurring after the balance sheet date, but before the financial statements are issued or available to be issued. SFAS 165 also requires entities to disclose the date through which it has evaluated subsequent events and the basis for that date. The Company adopted SFAS 165 for its year ended December 31, 2009. The adoption did not have a material impact on the Company’s financial statements.

See Note 8 for more information regarding the Company’s evaluation of subsequent events.

**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 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.

**Fair Value Measurements**

Effective January 1, 2009, the Company adopted FASB ACS 820 *Fair Value Measurements*, which provides a framework for measuring fair value under

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Notes to Financial Statements  
December 31, 2009

Note 1 - Summary of Accounting Policies (continued)

generally accepted accounting principles. FASB ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of securities owned is deemed to be Level 2 and 3 investments as reflected in the following table.

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Notes to Financial Statements  
December 31, 2009

Note 1 - Summary of Accounting Policies (continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities owned	\$ 327,484	\$	\$ 327,484	\$ --
Non marketable Securities owned	<u>2,490</u>	<u>--</u>	<u>--</u>	<u>2,490</u>
Total	<u>\$ 329,974</u>	<u>\$ --</u>	<u>\$ 327,484</u>	<u>\$ 2,490</u>
Net unrealized / realized gains (losses) in net income (losses) for the year relating to December 31, 2009	<u>\$ 8,375</u>	<u>\$ --</u>	<u>\$ 8,375</u>	<u>\$</u>

Note 2 - Net Capital

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2009, the Company had net capital of approximately \$427,185 and net capital requirements of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 2.77 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

Capital distributions to stockholders can be made under a capital distribution policy approved by the Company's board of directors. Periodic distributions approved by the board of directors are made to enable stockholders to pay federal income taxes on Company profits, among other purposes.

The Company has included \$1,100,000 in aggregate indebtedness as of December 31, 2009 to provide for a contingent lawsuit (see note 6 Commitments and Contingencies). FINRA required the Company to reflect this amount as aggregate indebtedness.

Note 3 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(i).

MUNICIPAL CAPITAL MARKETS GROUP, INC.

Notes to Financial Statements

December 31, 2009

Note 4 - Operating Lease

The Company leases office space under noncancelable operating leases expiring between May 2009 and August 2010. At December 31, 2009 minimum future rental payments under leases with initial lease terms are as follows:

Year ended <u>December 31,</u> 2010	\$ <u>16,875</u>
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Rent expense under all operating leases was approximately \$119,608 for the year ended December 31, 2009.

Note 5 - Concentration Risk

The Company at times may have had concentration of credit risk arising from cash deposits with banks in excess of Federally insured limits.

Note 6 - Commitments and Contingencies

The Company and other participants in the origination of a municipal bond issue for the benefit of a charter school in Michigan in 2006 are included in a lawsuit by a group of four institutional bondholders. The bondholders claim they suffered a loss in the amount of approximately \$3.8 million related to the improper issuance of bonds for the charter school. The Company intends to vigorously defend the case. Management, after consultation with legal counsel, is unable to estimate the amount or range of potential loss that could result if the outcome were unfavorable. Consequently no provision for loss has been made in these financial statements.

Note 7 - Related Parties

A stockholder of the Company owns an entity that was paid expense reimbursements of \$238,990 for the year ended December 31, 2009.

Note 8 - Subsequent Events

In preparing the accompanying financial statements, in accordance with FASB ASC 855, "Subsequent Events", the Company has reviewed events that have occurred after December 31, 2009, through February 24, 2010, the date the financial statements were available to be issued. During this period, the Company did not have any material subsequent events.

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934  
As of December 31, 2009

## Schedule I

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of December 31, 2009

### COMPUTATION OF NET CAPITAL

Total owner's equity qualified for net capital		\$ 865,810
Add:		
Other deductions or allowable credits		<u>-0-</u>
Total capital and allowable subordinated liabilities		865,810
Deductions and/or charges		
Advisory fees receivable	\$ 1,056	
Prepaid expenses	8,310	
Securities owned, not readily marketable	2,490	
Office equipment	16,120	
Goodwill	<u>391,000</u>	<u>(418,976)</u>
Net capital before haircuts on securities positions		446,834
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f))		<u>19,649</u>
Net capital		<u>\$ 427,185</u>

### AGGREGATE INDEBTEDNESS

Items included in statement of financial condition		
Accounts payable and accrued expenses		\$ 81,508
Contingent liability lawsuit		<u>1,100,000</u>
Total aggregate indebtedness		<u>\$1,181,508</u>

**Schedule I (continued)**

**MUNICIPAL CAPITAL MARKETS GROUP, INC.**  
**Computation of Net Capital Under Rule 15c3-1**  
**of the Securities and Exchange Commission**  
**As of December 31, 2009**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6-2/3% of total aggregate indebtedness)	<u>\$ 78,806</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 100,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 100,000</u>
Net capital in excess of required minimum	<u>\$ 327,185</u>
Excess net capital at 1000%	<u>\$ 309,034</u>
Ratio: Aggregate indebtedness to net capital	<u>2.77 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

There are no material differences in the computation of net capital under Rule 15c3-1 from the Company's computation.

**Schedule II**

MUNICIPAL CAPITAL MARKETS GROUP, INC.  
Computation for Determination of Reserve Requirements Under  
Rule 15c3-3 of the Securities and Exchange Commission  
As of December 31, 2009

**EXEMPTIVE PROVISIONS**

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(i), and has followed the exemptive provisions.

Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

Year Ended  
December 31, 2009



**CF & Co., L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5

To the Stockholders  
Municipal Capital Markets Group, Inc.

In planning and performing our audit of the financial statements and supplemental information of Municipal Capital markets Group, Inc. (the "Company"), as of and for the year ended December 31, 2009 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting 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 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 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. 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, as described in the second paragraph of this report, were adequate at December 31, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Stockholders, management, the SEC, the Financial Industry Regulatory Authority, 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.



CF & Co., L.L.P.

Dallas, Texas  
February 24, 2010

Independent Auditor's Report  
On The SIPC Annual Assessment  
Required By SEC Rule 17a-5  
Year Ended December 31, 2009



**CF & Co., L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE SIPC ANNUAL  
ASSESSMENT REQUIRED BY SEC RULE 17a-5

To the Stockholders  
Municipal Capital Markets Group, Inc.

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 year ended December 31, 2009, which were agreed to by Municipal Capital Markets Group, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Municipal Capital Markets Group, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). Management is responsible for Municipal Capital Markets Group, Inc.'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 disbursements records entries (cash disbursements journal) noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2009 with the amounts reported in Form SIPC-7T for the year ended December 31, 2009;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences; and
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.

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.

CF & Co., L.L.P.

Dallas, Texas  
February 24, 2010

**SIPC-7T**

(29-REV 12/09)

SECURITIES INVESTOR PROTECTION CORPORATION  
805 15th St. N.W. Suite 800, Washington, D.C. 20005-2215  
202-371-8300

**Transitional Assessment Reconciliation**

**SIPC-7T**

(29-REV 12/09)

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

053038 FINRA DEC

Municipal Capital Markets Group, Inc.  
4854 LBJ Frwy Ste. 200  
Dallas TX 75244

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Karen M. Woodliff 972.663.6552

WORKING COPY

- 2. A. General Assessment (Item 2e from page 2 (not less than \$150 minimum)) \$ 5797
- B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest) ( 2828 )
- 7.22.09  
    Date Paid
- C. Less prior overpayment applied ( \_\_\_\_\_ )
- D. Assessment balance due or (overpayment) 2969
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 2969
- G. PAID WITH THIS FORM:  
    Check enclosed, payable to SIPC  
    Total (must be same as F above) \$ 2969
- H. Overpayment carried forward \$( \_\_\_\_\_ )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

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

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Municipal Capital Markets Group, Inc.  
(Name of Corporation, Partnership or other organization)

[Signature]  
(Authorized Signature)

Dated the 5th day of February, 20 10.

President  
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: Postmarked \_\_\_\_\_ Received \_\_\_\_\_ Reviewed \_\_\_\_\_

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_

Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning April 1, 2009  
and ending December 31, 2009  
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 2,390,268

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

\_\_\_\_\_

(2) Net loss from principal transactions in securities in trading accounts.

\_\_\_\_\_

(3) Net loss from principal transactions in commodities in trading accounts.

\_\_\_\_\_

(4) Interest and dividend expense deducted in determining Item 2a.

\_\_\_\_\_

(5) Net loss from management of or participation in the underwriting or distribution of securities.

\_\_\_\_\_

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

\_\_\_\_\_

(7) Net loss from securities in investment accounts.

\_\_\_\_\_

Total additions

\_\_\_\_\_ 0

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

\_\_\_\_\_

(2) Revenues from commodity transactions.

\_\_\_\_\_

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

\_\_\_\_\_

(4) Reimbursements for postage in connection with proxy solicitation.

\_\_\_\_\_

(5) Net gain from securities in investment accounts.

\_\_\_\_\_

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

\_\_\_\_\_

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

\_\_\_\_\_ 71,286

(8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

\_\_\_\_\_

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 181

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 0

Enter the greater of line (i) or (ii)

\_\_\_\_\_ 181

Total deductions

\_\_\_\_\_ 71,467

2d. SIPC Net Operating Revenues

\$ 2,318,801

2e. General Assessment @ .0025

\$ 5,797

(to page 1 but not less than \$150 minimum)

**MUNICIPAL CAPITAL  
MARKETS GROUP, INC.**

December 31, 2009

*Report Pursuant to Rule 17a-5(d)*