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



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

SEC MAIL
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SECTION

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8- 43213

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 01/01/10 AND ENDING 12/31/10
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CHARTER OAK ASSET MANAGEMENT, INC.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1520 HIGHLAND AVENUE

(No. and Street)

CHESHIRE

(City)

CT

(State)

06410

(Zip Code)

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

ROBERT MALIK

203 272-3597 x1

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FEDERICO & SETTE P.C.

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

P. O. BOX 185220

(Address)

HAMDEN

(City)

CT

(State)

06518

(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)

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OATH OR AFFIRMATION

I, Robert S. Malik, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Charter Oak Asset Management, Inc., as of December 31, 20 10, 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:

RS Malik

Signature

President

Title

Louise Ferguson
Notary Public

Exp 9/30/15

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 15c3-1 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.

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

CHARTER OAK ASSET MANAGEMENT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2010

Independent Audit Report

To the Board of Directors
and Stockholders of:
Charter Oak Asset Management, Inc.
Cheshire, Connecticut

We have audited the accompanying balance sheet of Charter Oak Asset Management, Inc. as of December 31, 2010 and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended. 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 the standards of the Public Company Accounting Oversight Board of 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 Charter Oak Asset Management, Inc. as of December 31, 2010 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles and pursuant to SEC rule 17a-5(d).



February 22, 2011

CHARTER OAK ASSET MANAGEMENT, INC.
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

Current Assets:

Cash and Cash Equivalents \$144,703

Total Current Assets \$144,703

Fixed Assets:

Office Equipment 33,798

Furniture & Fixtures 22,503

Total Fixed Assets 56,301

Less: Accumulated Depreciation (50,275)

Fixed Assets - Net 6,026

Other Assets:

Security Deposits 1,709

Total Other Assets 1,709

TOTAL ASSETS \$152,438

EXHIBIT A

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	
Accounts Payable	<u>\$ 8,000</u>
Total Liabilities	8,000
Stockholder's Equity: - Exhibit B	
Common Stock - no par, 5,000 shares authorized, 2,100 shares issued and outstanding	7,000
Retained Earnings - Exhibit B	<u>137,438</u>
Total Stockholder's Equity	<u>144,438</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$152,438</u>

See Accompanying Notes to Financial Statements.

CHARTER OAK ASSET MANAGEMENT, INC.
 STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
 FOR THE YEAR ENDED
 DECEMBER 31, 2010

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at: December 31, 2009	\$ 7,000	\$111,540	\$ 118,540
Net Income - Exhibit C	<u> </u>	<u>25,898</u>	<u>25,898</u>
Balance at December 31, 2010	<u>\$ 7,000</u>	<u>\$137,438</u>	<u>\$ 144,438</u>

See Accompanying Notes to Financial Statements

CHARTER OAK ASSET MANAGEMENT, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED
DECEMBER 31, 2010

Services	\$ 351,211
General & Administrative Expenses	<u>324,523</u>
Operating Income	26,688
Other Income & (Expense):	
Dividend Income	17
Depreciation Expense	<u>(807)</u>
NET INCOME	<u>\$ 25,898</u>

See Accompanying Notes to Financial Statements.

CHARTER OAK ASSET MANAGEMENT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2010

Cash Flows from Operating Activities:

Net Income - Exhibit C	\$ 25,898
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Adjustments to reconcile net income to net cash flows used by operating activities:

Depreciation	807
Increase in Accounts Payable	<u>3,069</u>

Net Cash Flows Provided By Operating Activities	<u>29,774</u>
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Cash Flows from Investing Activities:

Cash Paid for Computers	(<u>1,467</u>)
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Net Cash Flows Used in Investing Activities	(<u>1,467</u>)
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Net Decrease in Cash	28,307
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Cash and Cash Equivalents - January 1, 2010	<u>116,396</u>
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Cash and Cash Equivalents - December 31, 2010	<u><u>\$144,703</u></u>
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Supplemental Disclosure of Cash Flow Information

Cash Paid for Income Taxes	\$ 0
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See Accompanying Notes to Financial Statements

CHARTER OAK ASSET MANAGEMENT, INC.
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED
 DECEMBER 31, 2010

Cash Flows from Operating Activities:

Net Income - Exhibit C	\$ 25,898
Adjustments to reconcile net income to net cash flows used by operating activities:	
Depreciation	807
Increase in Accounts Payable	<u>3,069</u>
Net Cash Flows Provided By Operating Activities	<u>29,774</u>

Cash Flows from Investing Activities:

Cash Paid for Computers	(<u>1,467</u>)
Net Cash Flows Used in Investing Activities	(<u>1,467</u>)
Net Decrease in Cash	28,307
Cash and Cash Equivalents - January 1, 2010	<u>116,396</u>
Cash and Cash Equivalents - December 31, 2010	<u>\$144,703</u>

Supplemental Disclosure of Cash Flow Information

Cash Paid for Income Taxes	\$ 0
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See Accompanying Notes to Financial Statements

CHARTER OAK ASSET MANAGEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS

3. Income Taxes:

The Company has elected to be taxed as a Subchapter "S" Corporation under Section 1362 in The Internal Revenue Code. This section provides that in lieu of corporate income taxes, the stockholder is taxed on the Company's taxable income.

4. Net Capital Requirements:

The Company is subject to the SEC net capital rule 15c 3-1, which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2010, the Company had net capital of \$133,809 which was \$128,809 in excess of its required net capital of \$5,000.

5. SEC Rule 15c3-3 Exemption:

Charter Oak Asset Management, Inc. claims an exemption from Securities and Exchange Commission Rule 15c3-3 as a result of its limited business activities as a Broker Dealer as outlined at Rule 15c3-3(k)(1)*i,ii,and iii*.

CHARTER OAK ASSET MANAGEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS

6. Leasing Arrangements:

The Company operates from office space located at 1520 Highland Avenue, Cheshire, Connecticut. The lease is a two year lease that is renewable for an additional three year period. The Company elected to exercise its option to renew its lease through August 2013. The Company is currently paying rent at the base rent of \$ 2,180 per month. Rent expense for the year ended December 31, 2010 was \$ 25,360.

The future minimum lease payments for the above noted lease for the years following December 31, 2010 are as follows:

<u>For the year ending</u> <u>December 31,</u>	<u>Amount</u>
2011	\$ 26,160
2012	26,160
2013	<u>17,440</u>
	<u>\$ 69,760</u>

7. Pension Plan:

The Company maintains a Simplified Employee Pension for all eligible employees. The Company contributed \$43,228 for the year ended December 31, 2010.

8. Subsequent Events:

Management has evaluated subsequent events through February 22, 2011, the date of which the financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

To the Board of Directors
and Stockholders of:
Charter Oak Asset Management, Inc.
Cheshire, Connecticut

We have audited the accompanying financial statements of Charter Oak Asset Management, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated February 22, 2011. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional data included in the following schedules are presented for the purpose of additional analysis and is not a required part of the basic financial statements. 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.



Hamden, Connecticut
February 22, 2011

CHARTER OAK ASSET MANAGEMENT, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2010

Broker Dealer Dues & Fees	\$ 2,791
Research and Product Development	2,298
Auto Expense	3,892
Donations	4,176
Dues & Fees	150
Equipment Rental & Maintenance	181
Insurance	25,009
Legal & Accounting	4,800
Office Expenses	12,941
Pension Expense	43,228
Software	3,171
Rent	25,360
Salaries	172,914
Subscriptions	5,682
Taxes - Payroll	14,287
Taxes - Other	506
Telephone & Utilities	<u>3,137</u>
Total General & Administrative Expenses	<u>\$ 324,523</u>

See Accompanying Independent Auditor's Report on Supplemental Information.

CHARTER OAK ASSET MANAGEMENT, INC.
COMPUTATION OF NET CAPITAL
DECEMBER 31, 2010

Total Ownership Equity	\$ 144,438
Total Non-Allowable Assets	(<u>7,735</u>)
Net Capital Before "Haircuts"	136,703
Less: "Haircuts"	
2% of Money Market Funds	(<u>2,894</u>)
Net Capital	<u>\$ 133,809</u>

No Material Differences Exist

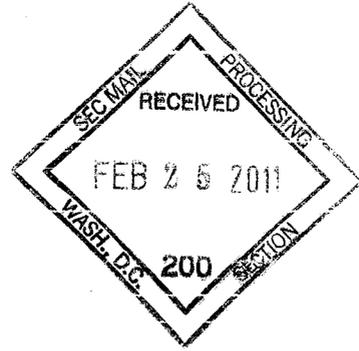
See Accompanying Independent Auditor's Report on Supplemental Information.

CHARTER OAK ASSET MANAGEMENT, INC.
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT
DECEMBER 31, 2010

A. Minimum Net Capital Required (Based on Aggregate Indebtedness 6.67% of AI)	\$ 533
B. Minimum Dollar Requirement	<u>5,000</u>
Net Capital Requirement: Greater of A or B	5,000
Excess Net Capital	128,809
Excess Net Capital @ 1000% (Net Capital - 10% of AI)	127,809
Total AI Indebtedness (AI Liabilities from Balance Sheet)	\$ 8,000

No Material Differences Exist

See Accompanying Independent Auditor's Report on Supplemental Information.



CHARTER OAK ASSET MANAGEMENT, INC.
INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL

To the Board of Directors
Charter Oak Asset Management, Inc.:

In planning and performing our audit of the financial statements of Charter Oak Asset Management, Inc. (the Company) as of and for the year ended December 31, 2010 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 and Exchange Commission, 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 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 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 judgements 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 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 and 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, 2010, 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 the Financial Investment Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and 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.



Hamden, Connecticut
February 22, 2011