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

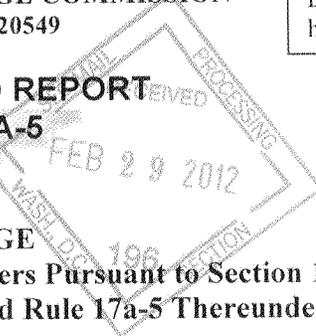
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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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 January 01, 2011 AND ENDING December 31, 2011

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
Morgan Wilshire Securities Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

960 Franklin Avenue, Suite 201

Garden City (City) (No. and Street) New York (State) 11530 (Zip Code)

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

Ed Maher (Area Code - Telephone No.) 516-622-3113

B. ACCOUNTANT IDENTIFICATION

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

LILLING & COMPANY LLP

10 CUTTER MILL ROAD (Address) GREAT NECK (City) NY (State) 11021 (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 exemption. See section 240.17a-5(e)(2).

Sec 1410 (6-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Michael Finnan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Morgan Wilshire Securities Inc. as of

December 31, 2011, 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 \_\_\_\_\_  
\_\_\_\_\_  
Title \_\_\_\_\_

Dean Schildkraut  
Notary Public

DEAN SCHILDKRAUT  
Notary Public, State of New York  
No. 30-485032  
Qualified in Nassau County  
Commission Expires Jan. 20, 20 14

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).

# Lilling & Company LLP

Certified Public Accountants

## ***INDEPENDENT AUDITOR'S REPORT***

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Board of Directors and Stockholders  
Morgan Wilshire Securities Inc.  
Garden City, New York

We have audited the accompanying statement of financial condition of Morgan Wilshire Securities Inc. (the Company) as of December 31, 2011, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Morgan Wilshire Securities Inc. as of December 31, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I is presented for the 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 is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as whole.

A handwritten signature in black ink that reads "Silling + Company". The signature is written in a cursive, flowing style.

***CERTIFIED PUBLIC ACCOUNTANTS***

***Great Neck, New York***

***February 20, 2012***

**MORGAN WILSHIRE SECURITIES, INC.**

***STATEMENT OF FINANCIAL CONDITION***  
***DECEMBER 31, 2011***

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***ASSETS***

Cash and cash equivalents	\$ 489,977
Due from clearing broker	42,525
Receivable from shareholder	15,000
Other assets	<u>22,349</u>
	<u>\$ 569,851</u>

***LIABILITIES AND STOCKHOLDERS' EQUITY***

***Liabilities***

Accrued expenses and other liabilities	\$ 104,354
Commissions payable	<u>101,108</u>
	<u>205,462</u>

***Stockholders' equity***

Common stock, \$0.10 par value; 1,000 shares authorized, 293 shares issued and outstanding	29
Paid-in capital	1,172,780
Retained earnings (deficit)	<u>(808,420)</u>
	<u>364,389</u>
	<u>\$ 569,851</u>

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*See notes to financial statements*

**MORGAN WILSHIRE SECURITIES, INC.**

***STATEMENT OF OPERATIONS***  
***YEAR ENDED DECEMBER 31, 2011***

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***REVENUES***

Commission and interest income \$ 3,220,240

***EXPENSES***

Payroll and related costs	2,209,294
Administrative	464,031
Insurance	93,569
Pension	(2,148)
Settlements	54,936
Other expenses	42,995
	<u>2,862,677</u>

***NET INCOME*** \$ 357,563

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*See notes to financial statements*

**MORGAN WILSHIRE SECURITIES, INC.**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER, 31 2011**

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<b><i>Cash flows from operating activities</i></b>	
Net income	\$ 357,563
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Due from clearing broker	36,951
Securities owned	18,802
Other assets	(14,802)
Pension payable	(139,400)
Commissions payable	(125,334)
Accrued expenses	46,462
Total adjustments	<u>(177,321)</u>
<b><i>Net cash provided by operating activities</i></b>	<u>180,242</u>
<b><i>Cash flows from investing activities</i></b>	
Receivable from shareholder	<u>(15,000)</u>
<b><i>Net cash used in investing activities</i></b>	<u>(15,000)</u>
<b><i>Cash flows from financing activities</i></b>	
Distributions	<u>(494,000)</u>
<b><i>Net cash used in financing activities</i></b>	<u>(494,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(328,758)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>818,735</u>
<b>CASH AND CASH EQUIVALENTS - END</b>	<u><u>\$ 489,977</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest expense	\$ -
Income taxes	<u><u>\$ -</u></u>

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*See notes to financial statements*

**MORGAN WILSHIRE SECURITIES, INC.**

***STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2011***

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	<u>COMMON STOCK</u>	<u>PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS (DEFICIT)</u>	<u>TOTAL</u>
<i>Balance - beginning</i>	\$ 29	\$ 1,172,780	\$ (671,983)	\$ 500,826
<i>Distributions</i>			(494,000)	(494,000)
<i>Net Income</i>	<u>-</u>	<u>-</u>	<u>357,563</u>	<u>357,563</u>
<i>Balance - end</i>	<u>\$ 29</u>	<u>\$ 1,172,780</u>	<u>\$ (808,420)</u>	<u>\$ 364,389</u>

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*See notes to financial statements*

# MORGAN WILSHIRE SECURITIES, INC.

## *NOTES TO FINANCIAL STATEMENTS* *DECEMBER 31, 2011*

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### 1. ORGANIZATION AND NATURE OF BUSINESS

Morgan Wilshire Securities Inc. (the "Company") is primarily engaged in trading on behalf of its clientele. The Company was organized and incorporated under the laws of the State of Delaware. The Company is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the Securities Exchange Commission. The Company, as a non-clearing broker, does not handle customers' funds or securities. There were no liabilities subordinated to claims of general creditors during the year ended December 31, 2011.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

#### **Accounting Standards Codification**

The Financial Accounting Standards Board ("FASB") has issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, effective for periods ending after September 15, 2009. This Statement establishes the FASB Accounting Standards Codification ("ASC") as the single source of authoritative United States generally accepted accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC and these financial statements are referenced accordingly.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and broker balances. Financial instruments that potentially subject the company to credit risk consist primarily of cash balances and receivable from clearing broker. The Company maintains bank and broker accounts with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits.

#### **Securities Transactions and Commissions**

Commissions and related clearing expenses are recorded on a trade date basis as securities transactions occur. Securities owned are recorded at current market values.

#### **Significant Credit Risk**

The responsibility for processing customer activity rests with the Company's clearing firm, National Financial Services LLC ("NFS"). The Company's clearing and execution agreement provides that NFS's credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

## **MORGAN WILSHIRE SECURITIES, INC.**

### ***NOTES TO FINANCIAL STATEMENTS*** ***DECEMBER 31, 2011***

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In accordance with industry practice, NFS records customer transactions on a settlement date basis, which is generally three business days after the trade date. NFS is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case NFS may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by NFS is charged back to the Company.

The Company, in conjunction with NFS, controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. NFS establishes margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Income Taxes**

The Company elected to be taxed as an "S" Corporation for federal and New York state income tax purposes. An "S" Corporation generally pays no federal income taxes and passes through substantially all taxable items to the shareholders of the Company. The Company is subject to state franchise taxes.

In accordance with ASC 740, Income Taxes, the Company is required to disclose unrecognized tax benefits resulting from uncertain tax positions. At December 31, 2011, the Company did not have any unrecognized tax benefits or liabilities. The Company operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

#### **Valuation of Investments**

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market,

## **MORGAN WILSHIRE SECURITIES, INC.**

### ***NOTES TO FINANCIAL STATEMENTS*** ***DECEMBER 31, 2011***

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income or cost approach, as specified by FASB ASC 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 – Are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.).

At December 31, 2011, the Company had no assets or liabilities subject to fair value measurements.

#### **3. COMMITMENT AND RELATED PARTY TRANSACTIONS**

The Company is obligated under an administrative services agreement with Equity Management Systems, Inc (EMSI), a corporation owned by the Company's officers. The agreement calls for EMSI to provide administrative services to the Company for a fee equal to EMSI's actual costs plus 10% not to exceed 20% of the expenses of the Company. Administrative fees were approximately \$464,000 for the year ended December 31, 2011 and \$28,061 is included in accrued expenses in the accompanying statement of financial condition at December 31, 2011. In addition, the Company has a loan receivable from an officer of \$15,000 at December 31, 2011, which is non-interest bearing and due on demand.

#### **4. RETIREMENT PLAN**

The Company has adopted a qualified SEP retirement plan. All employees who are 21 and older and have earned at least \$500 are eligible to participate in the plan. The Company did not contribute to the plan for the year ended December 31, 2011.

#### **5. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3**

The Company is exempt for the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(ii). As an introducing broker, the Company clears customer transactions on a fully disclosed basis with NFS. NFS carries all of the accounts of such customers and maintains and preserves such books and records.

## **MORGAN WILSHIRE SECURITIES, INC.**

### ***NOTES TO FINANCIAL STATEMENTS*** ***DECEMBER 31, 2011***

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#### **6. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2011, the Company had net capital of \$327,040, which was \$227,040 in excess of its required net capital of \$100,000. The Company had a percentage of aggregate indebtedness to net capital of 63% as of December 31, 2011.

#### **7. CONTINGENCIES**

The Company, in the ordinary course of business, has been named in various arbitrations before FINRA. The claimants are seeking compensatory damages based upon a variety of allegations. The Company's management believes the Company has meritorious defenses against these claimants. The ultimate outcome of these matters cannot be predicted and an unfavorable outcome could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

#### **8. SUBSEQUENT EVENTS**

The Company has evaluated and noted no events or transactions that have occurred after December 31, 2011 that would require recognition or disclosure in the financial statements.

***Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934***

***As of December 31, 2011***

**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2011**

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**NET CAPITAL**

Stockholders' equity	\$ 364,389
Deductions and/or charges:	
Non-allowable assets	<u>37,349</u>
Net capital before haircuts on securities positions	327,040
Haircuts and undue concentration	<u>-</u>
<b>NET CAPITAL</b>	<b><u>\$ 327,040</u></b>
<b>MINIMUM NET CAPITAL REQUIREMENT</b>	<b><u>\$ 100,000</u></b>
<b>EXCESS OF NET CAPITAL OVER MINIMUM REQUIREMENTS</b>	<b><u>\$ 227,040</u></b>
<b>AGGREGATE INDEBTEDNESS</b>	<b><u>\$ 205,462</u></b>
<b>PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	<b><u>63%</u></b>

**Statement Pursuant to Paragraph (d) (4) of Rule 17a-5**

There were no material differences with respect to the computation of net capital calculated above and the Company's computation included in Part IIA of Form X-17a-5 as of December 31, 2011.

# Lilling & Company LLP

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 (g)(1) FOR A BROKER- DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors and Stockholders  
Morgan Wilshire Securities Inc.  
Garden City, New York

In planning and performing our audit of the financial statements of Morgan Wilshire Securities Inc. (the Company), as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States, 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 (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 (or aggregate debits) 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 previously 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 *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 material weaknesses, as defined previously.

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, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.



**CERTIFIED PUBLIC ACCOUNTANTS**  
*Great Neck, New York*  
*February 20, 2012*

# Lilling & Company LLP

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

Board of Directors and Stockholders  
Morgan Wilshire Securities Inc.  
Garden City, New York

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 [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by Morgan Wilshire Securities 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 Morgan Wilshire Securities Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Morgan Wilshire Securities Inc.'s management is responsible for Morgan Wilshire Securities 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-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 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.

A handwritten signature in black ink that reads "Silling + Company". The signature is written in a cursive, flowing style.

**CERTIFIED PUBLIC ACCOUNTANTS**

*Great Neck, New York*

*February 20, 2012*

**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended December 31, 2011  
(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:

050831 FINRA DEC  
Morgan Wilshire Securities, Inc. 14\*14  
960 Franklin Avenue  
Garden City, NY 11530-2946

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.

Ed Maher 516-622-3100

WORKING COPY

- A. General Assessment (item 2e from page 2) \$ 8050.60
- B. Less payment made with SIPC-6 filed (exclude interest) ( 4622.64 )  
Date Paid Aug 31, 2011
- C. Less prior overpayment applied ( \_\_\_\_\_ )
- D. Assessment balance due or (overpayment) \_\_\_\_\_
- 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) \$ 3427.96
- G. PAID WITH THIS FORM  
Check enclosed, payable to SIPC  
Total (must be same as F above) \$ 3427.96
- 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 hereby that all information contained herein is true, correct and complete.

Morgan Wilshire Securities, Inc.

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the 21 day of Feb, 2012.

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 Jan 1, 2011  
and ending Dec 31, 2011  
Eliminate cents

**Item No.**

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

\$ 3,220,241.10

**2c. 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

**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 1619(L) of the Act).

(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.

\$ \_\_\_\_\_

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

\$ \_\_\_\_\_

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

Total deductions

2d. SIPC Net Operating Revenues

\$ 3,220,241.10

2e. General Assessment @ .0025

\$ 8050.60

(to page 1, line 2.A.)