

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

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-66529

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 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Petro Capital Securities, LLC

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

3710 Rawlins Street, STE 1000

(No. and Street)

Dallas

TX

75219

(City)

(State)

(Zip Code)

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

Rosser Newton

214-661-7761

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Turner, Stone & Company, L.L.P.

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

12700 Park Central Dr., STE 1400 Dallas

TX

75251

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



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

FOR OFFICIAL USE ONLY

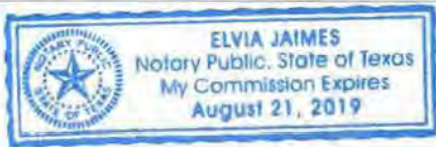
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Rosser Newton, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Petro Capital Securities, LLC, as of December 31, 20 18, 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:

\_\_\_\_\_

\_\_\_\_\_



Elvia Jaimes  
Notary Public

m. [Signature]

Signature

Managing Member

Title

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).

**Petro Capital Securities, LLC**

**Financial Statements**

**and**

**Report of Independent Registered Public Accounting Firm**

**For the Year Ended December 31, 2018**

## **TABLE OF CONTENTS**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	1-2
STATEMENT OF FINANCIAL CONDITION .....	3
STATEMENT OF OPERATIONS AND MEMBER’S CAPITAL.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS .....	6-9
SCHEDULE I .....	10
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	11
EXEMPTION REPORT .....	12



## Report of Independent Registered Public Accounting Firm

To the Member of Petro Capital Securities, LLC

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Petro Capital Securities, LLC (the "Company") as of December 31, 2018 and the related statements of operations and member's capital and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 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.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Turner, Stone & Company, L.L.P.  
Accountants and Consultants

12700 Park Central Drive, Suite 1400  
Dallas, Texas 75251

Telephone: 972-239-1660 / Facsimile: 972-239-1665

Toll Free: 877-853-4195

Web site: turnerstone.com



INTERNATIONAL ASSOCIATION OF ACCOUNTANTS AND AUDITORS

### Opinion on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained in Schedule I (Schedules II, III and IV are not applicable) required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. 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. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.

*/s/ Turner, Stone & Company, L.L.P.*

We have served as the Company's auditor since 2006.

Dallas, Texas  
February 26, 2019

**PETRO CAPITAL SECURITIES, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2018**

Assets

Current assets:

Cash	\$ 245,608
Prepaid expenses	<u>10,795</u>
Total current assets	<u><u>\$ 256,403</u></u>

Liabilities and Member's Capital

Current liabilities:

Accounts payable and accrued expenses	\$ 2,396
Accrued state income tax	<u>8,068</u>
Total current liabilities	10,464
Member's capital	<u>245,939</u>
	<u><u>\$ 256,403</u></u>

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

**PETRO CAPITAL SECURITIES, LLC**  
**STATEMENT OF OPERATIONS AND MEMBER'S CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Revenues:	
Revenues	<u>\$ 2,437,402</u>
Operating expenses:	
Incremental allocation services fee (Note 2)	1,070,693
Registration fees	18,885
General and administrative	6,875
	<u>1,096,453</u>
Income before provision for state income tax	1,340,949
Provision for state income tax	8,068
Net income	<u>1,332,881</u>
Member's capital at beginning of year	539,946
Contributions	199,230
Distributions	<u>(1,826,118)</u>
Member's capital at end of year	<u><u>\$ 245,939</u></u>

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



**PETRO CAPITAL SECURITIES, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:

Net income	\$ 1,332,881
Adjustments to reconcile net income to net cash provided by operating activities:	
Incremental allocation services fee contributed to capital by member	199,230
Changes in operating assets and liabilities:	
Prepaid management fees to Parent	151,289
Prepaid expenses	1,395
Accounts payable and accrued expenses	(1,562)
Accrued state income tax	4,978
Net cash provided by operating activities	<u>1,688,211</u>

Cash flows from financing activities:

Distributions paid to member	<u>(1,826,118)</u>
Net cash used in financing activities:	<u>(1,826,118)</u>

Decrease in cash	(137,907)
Cash at beginning of year	<u>383,515</u>
Cash at end of year	<u>\$ 245,608</u>

**Supplemental Disclosure of Non-cash Investing and Financing Activities**

Incremental allocation services fee contributed to capital by member	<u>\$ 199,230</u>
--	-------------------

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

**PETRO CAPITAL SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business and operations**

Petro Capital Securities, LLC (Company) is a limited liability company organized in the State of Texas, on March 26, 2004 and is a wholly-owned subsidiary of Petro Capital Securities Holdings, LLC (Parent). The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). The Company provides private placement of debt and equity securities as well as providing advisory services for mergers and acquisitions and corporate finance.

**Revenue Recognition**

Revenue from contracts with customers includes fees from investment banking services. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

The Company earns fees, commissions and receives financial instruments in exchange for the services it provides and recognizes revenue when the Company has completed its contractual obligations and collection is reasonably assured.

**Customer concentrations**

For the year ended December 31, 2018, the Company had the following customer concentrations with respect to its revenues:

	<u>Percentage of Revenues</u>
Customer 1	37%
Customer 2	24%
Customer 3	17%
Customer 4	14%
Customer 5	8%

**Management estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PETRO CAPITAL SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

Cash flows

The Company maintains deposits in one financial institution. At December 31, 2018, the Federal Deposit Insurance Corporation (FDIC) provided insurance coverage of up to \$250,000, per depositor, per institution. At December 31, 2018, none of the Company's cash was in excess of federally insured limits.

For purposes of the statement of cash flows, cash includes demand deposits, time deposits and short-term cash equivalent investments with maturities of less than three months at the date of purchase. At December 31, 2018, the Company had no such cash equivalents included in cash. None of the Company's cash is restricted.

Fair value measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the customer's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Fair value of financial instruments

In accordance with the reporting requirements of ASC Topic 825, *Financial Instruments*, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this standard and includes this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of cash and accounts payable approximate their carrying amounts due to the nature and short maturity of these instruments.

Recent accounting pronouncements

During the year ended December 31, 2018 and through February 21, 2019, there were several new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which replaces the existing guidance in ASC 840, *Leases*. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The guidance will be effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. Management of the Company is currently evaluating the impact ASU 2016-02 will have on its financial statements and related disclosures.

**PETRO CAPITAL SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

Subsequent events

In preparing the financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after December 31, 2018, up until the issuance of the financial statements, which occurred on February 21, 2019.

**2. TRANSACTIONS WITH RELATED PARTY**

Office and administrative services agreement

The Company paid a monthly incremental allocation services fee to the Parent through the Office and Administrative Services Agreement of \$70,104 per month for January through May and \$102,882 per month for June through December 2018. Such fees amounted to \$1,070,693 during the year ended December 31, 2018 and which are reflected in the "Incremental allocation services fee" line item on the accompanying statement of operations and member's capital. During the year ended December 31, 2018, the Company's member contributed \$199,230, of such services to capital under the terms of the Office and Administrative Services agreement.

Related Party Revenue

Entities controlled by the parent of the Company were shareholders in a client that generated revenue of \$425,000 in revenue for the Company.

**3. INCOME TAXES**

The Company is organized as a limited liability company under the provisions of the Internal Revenue Code of 1986 as amended. Accordingly, the financial statements do not include a provision for federal income taxes because the Company does not incur federal income tax liabilities. Instead, its earnings and losses are included in the member's income tax return and are taxed based on the member's income tax rate.

As a Texas limited liability company, the Company is subject to a state franchise tax based on the lower of either the cost of goods sold margin, compensation margin or 70% of gross revenues. The Company's franchise tax liability will be included in the member's state franchise tax return.

**4. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), 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 the rule of the "applicable" exchange also provides 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, 2018, the Company was in compliance with aggregate indebtedness of \$10,464 and net capital of \$235,144.

**PETRO CAPITAL SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

5. **RULE 15c3-3 EXEMPTION**

The Company does not hold customer funds or securities and is, therefore, exempt under Rule 15c3-3(k)(2)(i) from preparing the Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.



**PETRO CAPITAL SECURITIES, LLC**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2018**

Net Capital Requirement, the Greater of:		\$	5,000
1/15 of Aggregate Indebtedness	\$	698	
Minimum Dollar Requirement	\$	5,000	
Net Capital		\$	235,144
Excess Net Capital		\$	230,144
Aggregate Indebtedness:		\$	10,464
Ratio of Aggregate Indebtedness to Net Capital:			4.45%
Ratio of Subordinated Indebtedness to Debt/Equity Total:			N/A
120% of Required Net Capital		\$	6,000
Net Capital in Excess of 120% of Required Net Capital		\$	229,144
Total Assets (Cash on Hand, Money Market Accounts)		\$	256,403
Less: Total Liabilities			10,464
(Exclusive of subordinated debt)			
Net Worth			245,939
Deductions from and/or charges to Net Worth:			
Total non-allowable assets	\$	10,795	
(Excess Fidelity Bond deductible)			
Total Deductions from Net Worth			10,795
Net Capital before haircuts on securities positions		\$	235,144
Haircuts on securities:			
Certificates of Deposit and Commercial Paper	\$	-	
U.S. and Canadian government obligations		-	
State and municipal government and obligations		-	
Corporate obligations		-	
Stock and warrants		-	
Options		-	
Arbitrage		-	
Other Securities		-	
Total haircuts of securities			-
<b>Net Capital</b>		<b>\$</b>	<b>235,144</b>

There are no material differences between the amounts presented above and the amounts reported on the Company's unaudited FOCUS report as of December 31, 2018.



Report of Independent Registered Public Accounting Firm

To the Member of  
Petro Capital Securities, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Petro Capital Securities, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which Petro Capital Securities, LLC claimed an exemption from 17 C.F.R. §240.15c3-3, specifically 17 C.F.R. §240.15c3-3(k)(2)(i) (the exemption provisions) and (2) Petro Capital Securities, LLC stated that Petro Capital Securities, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. Petro Capital Securities, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Petro Capital Securities LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Turner, Stone & Company, LLP*

Certified Public Accountants  
Dallas, Texas  
February 26, 2019

Turner, Stone & Company, LLP.  
Accountants and Consultants  
12700 Park Central Drive, Suite 1400  
Dallas, Texas 75251  
Telephone: 972-239-1660 / Facsimile: 972-239-1665  
Toll Free: 877-853-4195  
Web site: turnerstone.com

## **Petro Capital Securities, LLC**

3710 Rawlins Street / Dallas, Texas 75219

214-661-7761

### **Petro Capital Securities, LLC. Assertions**

**Petro Capital Securities, LLC.** (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k)(2)(i).
- (2) The Company met the identified exemption provision in 17 C.F.R. § 240.15c3-3(k)(2)(i) throughout the most recent fiscal year without exception.

### **Petro Capital Securities, LLC.**

I, Rosser Newton, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.



Rosser Newton, Managing Member

January 4, 2019