

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 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Auerbach Grayson and Company LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

25W 45th Street Suite 16

(No. and Street)

New York

NY

10036

(City)

(State)

(Zip Code)

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

Sharon Gaviria 212-453-3516

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

EisnerAmper LLP

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

750 Third Avenue

New York

NY

10017

(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, Sharon Gaviria, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Auerbach Grayson and Company LLC, as of December 31, 20 16, 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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Sharon Gaviria  
Signature

Chief Financial Officer

Title

Padmanabhan Hamnauth  
Notary Public 2/28/2017



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).

**AUERBACH GRAYSON AND COMPANY LLC**

**FINANCIAL STATEMENTS**

**PURSUANT TO RULE 17A-5 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**DECEMBER 31, 2016**

**(with supplementary information)**

**C O N F I D E N T I A L**

## AUERBACH GRAYSON AND COMPANY LLC

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Managing Member  
Auerbach Grayson and Company LLC

We have audited the accompanying statement of financial condition of Auerbach Grayson and Company LLC (the "Company") as of December 31, 2016, and the related statements of operations, changes in members' equity, changes in liabilities subordinate to claims of general creditors, and cash flows for the year then ended. The 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 (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auerbach Grayson and Company LLC as of December 31, 2016 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.

The information contained in Schedule I (the "supplemental information") has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. 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 17 C.F.R. §240.17a-5. In our opinion, the information contained in Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.



New York, New York  
March 1, 2017

**CONFIDENTIAL**



**AUERBACH GRAYSON AND COMPANY LLC**  
**Statement of Financial Condition**  
**December 31, 2016**

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**ASSETS**

Cash	\$	22,127,087
Restricted Cash		480,985
Due From Clearing Broker		454,028
Commission Receivable		957,247
Furniture and Equipment, net of accumulated depreciation of \$113,589		191,347
Prepaid expenses and other assets		280,415
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>24,491,109</b>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Commissions payable	\$	1,292,476
Accounts payable and accrued expenses		1,222,931
Subordinate Loan		1,750,000
Deferred rent		173,833
<b>Total Liabilities</b>		<b>4,439,240</b>
 Commitments		
 Members' equity		<b>20,051,869</b>
 <b>Total liabilities and members' equity</b>	<b>\$</b>	<b>24,491,109</b>

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

**AUERBACH GRAYSON AND COMPANY LLC****Statement of Operations****Year ended December 31, 2016**

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**REVENUES**

Commissions	\$ 22,308,102
Fee Income	1,495,280
Other and interest income	<u>92,881</u>

Total revenues	<u>23,896,263</u>
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**Expenses**

Employee compensation and benefits	12,889,241
Commissions, clearance and execution charges	10,267,495
Market data	2,363,308
Professional fees	1,447,062
Promotional	1,207,406
Rent and occupancy costs	949,172
Office maintenance and supplies	581,193
Communications	228,796
Regulatory and registration	202,385
Conferences	107,926
Depreciation	58,316
Other expenses	<u>352,645</u>

Total expenses	<u>30,654,945</u>
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Net Loss	<u><u>\$ (6,758,682)</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**AUERBACH GRAYSON AND COMPANY LLC**  
**Statement of Changes in Members' Equity**  
**Year ended December 31, 2016**

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Balance - January 1, 2016	\$ 3,160,551
Members' Contributions	23,650,000
Net Loss	<u>(6,758,682)</u>
Balance - December 31, 2016	<u>\$ 20,051,869</u>

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



**AUERBACH GRAYSON AND COMPANY LLC****Statement of Changes in Liabilities Subordinated to Claims of General Creditors****Year ended December 31, 2016**

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Balance - January 1, 2016	\$ 0
Issuance of Subordinated Loans	<u>1,750,000</u>
Balance - December 31, 2016	<u>\$ 1,750,000</u>

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

**AUERBACH GRAYSON AND COMPANY LLC**  
**Statement of Cash Flows**  
**Year ended December 31, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Loss	\$ (6,758,682)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	58,316
Decrease/(increase) in operating assets	
Restricted cash	(39,176)
Due from Clearing Broker	(190,013)
Commissions receivable	61,802
Prepaid expenses and other assets	53,583
(Decrease)/increase in operating liabilities	
Commissions payable	818,578
Accounts payable and accrued expenses	863,776
Deferred rent	121,153
	<hr/>
Net cash used in operating activities	(5,010,663)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of furniture and equipment	<hr/> (81,566)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Members' Contributions	23,650,000
Subordinated Loans	<hr/> 1,750,000

Net Cash provided by financing activities	<hr/> 25,400,000
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Net increase in cash	20,307,771
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Cash beginning of year	<hr/> \$ 1,819,316
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Cash at end of year	<hr/> <hr/> \$ 22,127,087
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*The accompanying notes are an integral part of these financial statements.*

**AUERBACH GRAYSON AND COMPANY LLC**  
**Notes to Financial Statements**  
**Year ended December 31, 2016**

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**1. NATURE OF BUSINESS**

Auerbach Grayson and Company LLC (the "Company"), a Delaware corporation, is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company's primary business is to provide global execution of foreign securities to major U.S. institutions through specialized non-U.S. brokers in accordance with the Securities Exchange Act Rule 15a-6.

Capitalized items refer to defined terms in the limited liability operating agreement (the "Agreement").

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

**Revenue Recognition**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Fee Income**

Fee income is earned for miscellaneous services provided to its customers and is recorded when the income is reasonably determinable.

**Fair Value of Financial Instruments**

The recorded amounts of the company's cash, due from clearing broker, commissions receivable, other assets, accounts payable and accrued expenses and subordinated loans approximate their fair values principally because of the short-term nature of these items.

**Cash**

The Company maintains cash in bank accounts which at times may exceed federally insured limits or where no insurance is provided. In the event of a financial institution's insolvency, the recovery of assets may be limited.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires the Company's management to make estimates and assumptions in determining 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.

## AUERBACH GRAYSON AND COMPANY LLC

### Notes to Financial Statements

Year ended December 31, 2016

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Depreciation

Depreciation of furniture and equipment is computed on the straight-line method of using estimated useful lives of five to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

##### Translation of foreign currencies

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Foreign currency transaction losses included in operations totaled \$107,378 in 2016.

#### 3. FURNITURE AND EQUIPMENT

Furniture and equipment included on the statement of financial condition consist of the following:

Furniture and equipment	\$ 304,936
Less accumulated depreciation	<u>(113,589)</u>
	<u>\$ 191,347</u>

#### 4. COMMITMENTS

On February 10, 2015, the Company entered into an amendment to its existing lease for office space. The amended lease became effective August 1, 2015 and expires July 31, 2025. Rental payments plus escalation for real estate taxes are payable monthly. The Company's minimum rental commitments are:

<u>Year</u>	<u>Amount</u>
2017	\$ 833,748
2018	856,811
2019	880,512
2020	925,713
2021	980,498
Thereafter	<u>3,580,895</u>
Total	<u>\$ 8,058,177</u>

The difference between rent expense incurred and the amount paid is recorded as a liability for deferred rent. At December 31, 2016, there was deferred rent of \$173,833. Total rent paid in 2016 was \$800,653.

**AUERBACH GRAYSON AND COMPANY LLC**  
**Notes to Financial Statements**  
**Year ended December 31, 2016**

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Pursuant to the lease agreement, the Company maintains a letter of credit and a deposit in the amount of \$442,849 expiring August 31, 2025. The letter of credit is secured by a bank deposit of \$442,849 which is recorded as restricted cash with short term financial credit. Pursuant to the second lease agreement, the Company maintains an escrow deposit in the amount of \$66,515 expiring March 15, 2023.

**5. INCOME TAXES**

The Company is a limited liability company and is taxed as a partnership. Each member is individually responsible for its share of the Company's income or loss for income tax reporting purposes. Accordingly, the Company has no provision for federal and state income taxes. The Company is subject to New York City unincorporated business tax. For the year ended December 31, 2016, the Company had no unincorporated business tax expense.

The Company may recognize tax benefits from any uncertain positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The company has no material unrecognized for benefits.

Tax laws are complex and subject to different interpretations by the taxpayer and taxing authorities. Significant judgment is required when evaluating tax provisions and related uncertainties. Future events such as changes in tax legislation could require a provision for income taxes. Any such changes could significantly affect the amounts reported in the statement of operations.

**6. PROFIT SHARING PLAN**

The Company maintains a defined contribution plan covering substantially all employees. The Company contributes annually at the discretion of management. The Company's maximum contribution is one half of the employees' contribution up to 5% of the eligible compensation. For the year ended December 31, 2016, the Company contributed \$99,781. As of December 31, 2016, the Company did not have any accrued liabilities to the plan.

**AUERBACH GRAYSON AND COMPANY LLC**  
**Notes to Financial Statements**  
**Year ended December 31, 2016**

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**7. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK**

In the normal course of business as a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional investors. The Company's transactions are collateralized and are executed with and on behalf of banks, brokers and dealers and other financial institutions. The Company introduces these transactions for clearance to non-US broker-dealers pursuant to the provisions of paragraph (k)(2)(i) of Rule 15c3-3.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair customers' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount.

**8. MEMBERS' EQUITY**

All of the legal and equitable ownership interests of the members in the Company, including interests in profits, losses, distributions and other amounts specified in the Agreement, as well as all the rights of the members, if applicable, to vote, consent or approve with respect to any matter affecting the Company, shall be denominated in shares of interest in the Company or fractions thereof. There are currently two classes of shares as set forth below:

- (i) Class A shares are entitled to one vote per share and have all of the voting powers and rights with respect to any matters affecting the Company. Class A shares are entitled to distributions in accordance with the Agreement. As of December 31, 2016, there are 6,162 Class A shares issued and outstanding.
- (ii) Class B shares are entitled to one vote per share and have all the voting power and rights with respect to any matters affecting the Company. Class B shares are entitled to distributions in accordance with the agreement. As of December 31, 2016, there are 4,108 Class B Shares issued and outstanding.

The Company allocates income to its members according to the manner of distribution as defined in the Agreement.

**9. NEW MEMBER INVESTMENT**

New Frontier Securities LLC, a subsidiary of Beltone Financial Holding SAE, made a cash investment in the Company in September 2016.



## AUERBACH GRAYSON AND COMPANY LLC

### Notes to Financial Statements

Year ended December 31, 2016

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#### 10. LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS

The company borrowed \$1,750,000 from related parties, under subordinated agreements, for a period of one year. Under the terms of the agreement, the Company will accrue interest which will be paid on a quarterly basis, at a rate of 8% per annum. The amount due at maturity will be \$1,750,000.

The subordinated loans, approved by FINRA mature as follows:

<u>Maturity Date</u>	<u>Original Principal</u>	<u>Accrued Interest</u>	<u>Amount Due at Maturity</u>
April 30, 2017	\$ 1,000,000	\$ 40,328	\$ 1,000,000
May 25, 2017	500,000	20,164	500,000
June 30, 2017	<u>250,000</u>	<u>9,863</u>	<u>250,000</u>
	\$ 1,750,000	\$ 70,355	\$ 1,750,000

#### 11. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the percentage of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At December 31, 2016, the Company had net capital of \$20,604,470 which was \$20,354,470 in excess of its required net capital of \$250,000. The Company's net capital percentage was 13.05%.

The Company claims exemption from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to paragraphs (k)(2)(i) and (k)(2)(ii) of such rule.

#### 12. LITIGATION

In the normal course of business, the Company is a defendant in a pending arbitration claim. While the final outcome of the claim cannot be predicted, based on the information currently available, management and Company's counsel believe the resolution of current pending claim will not have a material impact on the Company's financial position and results of operations.

The Company is a defendant in a pending lawsuit in which the plaintiff asserts that the Company and a co-defendant owe it approximately \$2.1 million related to the Company's capital raising activities during 2016. The Company believes the complaint is without merit and intends to defend the case vigorously. Since discovery is in the earliest stages, the Company is unable to estimate a possible loss or range of possible loss; however, management and Company's counsel believe the resolution of current pending lawsuit will not have a material impact on the Company's financial position and results of operations. As of December 31, 2016, the Company has not record an accrual as it relates to this matter.



## **SUPPLEMENTARY INFORMATION**

**AUERBACH GRAYSON AND COMPANY LLC**  
**Computation of Net Capital Pursuant to Net Capital**  
**Rule 15c3-1 of The Securities and Exchange Commission**  
**December 31, 2016**

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Schedule I

Total members' equity	\$ 20,051,869
Allowable credit subordinated loan	<u>1,750,000</u>
Total capital and allowable subordinated loans	<u>\$ 21,801,869</u>
Nonallowable assets	
Commissions receivable	238,020
Furniture, equipment and leasehold improvements	191,347
Restricted cash	480,985
Prepaid expenses and other assets	<u>280,415</u>
	<u>\$ 1,190,767</u>
Net capital before haircuts on foreign currencies held	20,611,102
Haircuts on foreign currencies held	<u>6,632</u>
Net capital	<u>\$ 20,604,470</u>
Aggregate indebtedness	
Commissions payable	\$ 1,292,476
Accounts payable and accrued expenses	1,222,931
Deferred rent	<u>173,833</u>
	<u>\$ 2,689,240</u>
Percentage of aggregate indebtedness to net capital	<u>13.05%</u>
Minimum capital required - the greater of 6 2/3% of aggregate indebtedness of \$2,689,240 or \$250,000	<u>\$ 250,000</u>
Excess of net capital over minimum requirement	<u>\$ 20,354,470</u>

There are no material differences between the above computation and the Company's corresponding unaudited Form X-17A-5 Part IIA filing of December 31, 2016

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Managing Member  
Auerbach Grayson and Company LLC

We have reviewed management's statements, included in the accompanying Auerbach Grayson and Company LLC's Exemption Report, in which (1) Auerbach Grayson and Company LLC (the "Company") identified the following provisions of 17 C.F.R. §15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(i) and (2)(ii) (the "exemption provisions"), and (2) the Company stated that it met the identified exemption provisions throughout the most recent fiscal year without exception. The Company'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 the Company'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 paragraphs (k)(2)(i) and (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.



New York, New York  
March 1, 2017

CONFIDENTIAL



Auerbach Grayson and Company LLC  
Exemption Report  
December 31, 2016

Auerbach Grayson and Company 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 provisions of 17 C.F.R. § 240.15c3-3 (k)(2)(i) and (k)(2)(ii).
- (2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) as of December 31, 2016 and has done so throughout the fiscal year ended December 31, 2016.

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Auerbach Grayson and Company, LLC

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

By: Sharon Gawina  
Chief Financial Officer

February 20, 2017