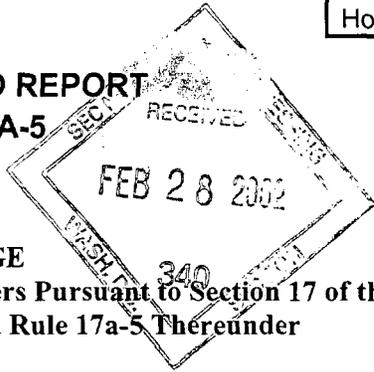




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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III



SEC FILE NUMBER
8-52716
2

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 1, 2001 AND ENDING DECEMBER 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

SRS SECURITIES, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

1350 AVENUE OF THE AMERICAS, # 1801

(No. And Street)

NEW YORK,
(City)

NY
(State)

10019
(Zip Code)

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

PAUL JETTER

(212) 957-8800

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report *

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

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

60 EAST 42ND STREET

NEW YORK

NY

10165

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
MAR 15 2002
THOMSON FINANCIAL

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 basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, PAUL JETTER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SRS SECURITIES LLC, as of

DECEMBER 31, 2001, 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
GENERAL PARTNER

Title



Notary Public

SUSAN E. VANVELSON
Notary Public, State of New York
No. 01VA6045572
Qualified in Ulster County
Commission Expires July 31, 2002

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) Supplemental Independent Auditors Report on Internal Accounting Control.

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

INDEPENDENT AUDITORS' REPORT

To the Members of
SRS Securities, LLC:

We have audited the accompanying statement of financial condition of SRS Securities, LLC (the "Company") as of December 31, 2001, and the related statements of income, changes in members' capital 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SRS Securities, LLC as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our 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 and in conformity with the rules of the Securities and Exchange Commission.

Fulvio & Associates, L.L.P.

New York, New York
January 15, 2002

SRS SECURITIES, LLC
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2001

SRS SECURITIES, LLC
REPORT PURSUANT TO RULE 17a-5(d)
DECEMBER 31, 2001

SRS SECURITIES, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2001

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SRS SECURITIES, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

| | |
|---------------------------|------------------|
| Cash and cash equivalents | <u>\$ 42,264</u> |
| TOTAL ASSETS | <u>\$ 42,264</u> |

LIABILITIES AND MEMBERS' CAPITAL

LIABILITIES:

| | |
|-------------------|-------------|
| TOTAL LIABILITIES | <u>\$ -</u> |
|-------------------|-------------|

MEMBERS' CAPITAL:

| | |
|--|------------------|
| Members' Capital | <u>42,264</u> |
| TOTAL MEMBERS' CAPITAL | <u>42,264</u> |
| TOTAL LIABILITIES AND MEMBERS' CAPITAL | <u>\$ 42,264</u> |

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

SRS SECURITIES, LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUES:

| | |
|---------------------|----------------|
| Success Fees | \$ 902,000 |
| Reimbursed Expenses | <u>18,603</u> |
| TOTAL REVENUES | <u>920,603</u> |

EXPENSES:

| | |
|-------------------|----------------|
| Travel | 15,000 |
| NASD fees | 16,976 |
| Professional fees | 4,500 |
| Management fees | 856,900 |
| Office expense | 3,603 |
| Telephone | 1,784 |
| Rent | 12,506 |
| Other expenses | <u>70</u> |
| TOTAL EXPENSES | <u>911,339</u> |

NET INCOME \$ 9,264

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

SRS SECURITIES, LLC
STATEMENT OF CHANGES IN MEMBERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2001

| | |
|------------------------------------|------------------|
| Members' Capital January 1, 2001 | \$ 25,000 |
| ADD: Net Income | 9,264 |
| ADD: Capital Contributions | <u>8,000</u> |
| Members' Capital December 31, 2001 | <u>\$ 42,264</u> |

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

SRS SECURITIES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities:

| | |
|------------|-----------------|
| Net Income | <u>\$ 9,264</u> |
|------------|-----------------|

| | |
|---|--------------|
| Net Cash Provided by Operating Activities | <u>9,264</u> |
|---|--------------|

Cash Flows from Financing Activities:

| | |
|-------------------------------|--------------|
| Members' Capital Contribution | <u>8,000</u> |
|-------------------------------|--------------|

| | |
|---|--------------|
| Net Cash Provided by Financing Activities | <u>8,000</u> |
|---|--------------|

| | |
|----------------------|--------|
| NET INCREASE IN CASH | 17,264 |
|----------------------|--------|

| | |
|-------------------------|---------------|
| Cash at January 1, 2001 | <u>25,000</u> |
|-------------------------|---------------|

| | |
|---------------------------|-------------------------|
| Cash at December 31, 2001 | <u><u>\$ 42,264</u></u> |
|---------------------------|-------------------------|

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

SRS SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)

NOTE 1 - ORGANIZATION OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SRS Securities, LLC (the "Company") was organized in the year 2000 in the State of Delaware. The Company registered with the Securities and Exchange Commission as a broker/dealer on December 29, 2000 and became a member of the National Association of Securities Dealers, Inc. The Company's purposes are to advise other companies on all financial matters and structures of financing and/or securities offerings for companies, public or private, to do private placements of securities and to structure subordinated debt transactions.

The Company recognizes consulting income and related expenses when underwritings are consummated. Cash equivalents include FDIC insured money-market funds.

The Company maintains offices in Solana Beach, California and New York, New York

NOTE 2 - RELATED PARTY TRANSACTIONS

The Company has an expense sharing agreement with a related party to share various operating expenses.

NOTE 3 - INCOME TAXES

The Company is a partnership for tax purposes. Accordingly, no provision for federal and state income taxes is required. The members of the Company are liable for the taxes on their share of the Company's income or loss.

The Company is subject to the annual minimum New York State Limited Liability Company fee and the annual minimum California Limited Liability Company fee.

NOTE 4 - NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital rule (Rule 15c3-1) under the Securities Exchange Act of 1934 which requires that aggregate indebtedness, as defined, may not exceed fifteen times net capital, as defined and maintaining minimum statutory net capital. At December 31, 2001, the Company's net capital and excess net capital were \$42,264 and \$37,264, respectively.

SUPPLEMENTAL INFORMATION

SRS SECURITIES, LLC
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2001

Credits:

| | |
|------------------------|------------------|
| Total Members' Capital | <u>\$ 42,264</u> |
| TOTAL CREDITS | 42,264 |

Debits:

| | |
|---------------------------------|------------------|
| Non Allowable Assets | <u>-</u> |
| Net Capital Before Haircuts | <u>-</u> |
| Less: Haircuts | <u>-</u> |
| NET CAPITAL | 42,264 |
| Minimum Net Capital Requirement | <u>5,000</u> |
| EXCESS NET CAPITAL | <u>\$ 37,264</u> |

No material differences exist between the above computation and the computation included in the Company's corresponding unaudited Form X-17a-5 Part IIA filing.

SRS SECURITIES, LLC
COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS
AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3
FOR THE YEAR ENDED DECEMBER 31, 2001

The Company does not effect transactions for anyone defined as a customer under Rule 15c3-3. Accordingly, there are no items to report under the requirements of this Rule.

**SUPPLEMENTARY REPORT
OF INDEPENDENT AUDITORS**

INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT
ON INTERNAL ACCOUNTING CONTROL

To the Members of
SRS Securities, LLC:

In planning and performing our audit of the financial statements and supplemental schedules of SRS Securities, LLC (the "Company") for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion of the financial statements and not to provide assurance on the internal control structure.

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 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:

- Making quarterly securities examinations, counts, verifications, and comparisons
- Recordation of differences required by rule 17a-13
- 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 an internal structure 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 internal control structure policies 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 an internal control structure and the practice 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection or 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures 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 Commission to be adequate for its purpose 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 our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report recognizes that it is not practicable in an organization the size of SRS Securities, LLC to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

Julius & Associates, L.L.P.

New York, New York
January 15, 2002