

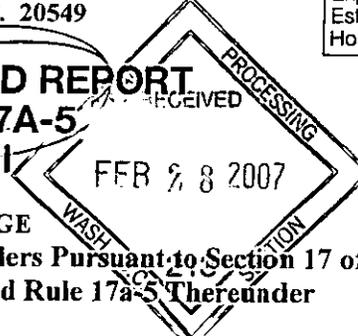


07000983

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

BB 3/12  
OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
Hours per response: 12.00

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



SEC FILE NUMBER  
8- 43985

**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 01/01/2006 AND ENDING 12/31/2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**Prime Executions, Inc.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**42 Broadway, Suite 1740**

(No. and Street)

**New York**

**New York**

**10004**

(City)

(State)

(Zip Code)

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

**John Calabrese**

**(212) 785-0200**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Kempisty & Company, Certified Public Accountants, P.C.**

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

**15 Maiden Lane, Suite 1003**

**New York**

**New York**

**10038**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 19 2007**

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

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.

SEC 1410 (06-02)

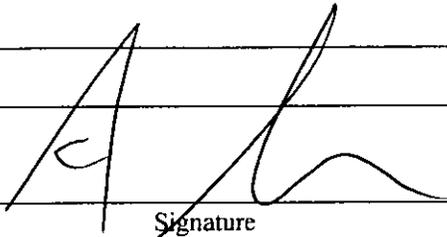
KG 3/14

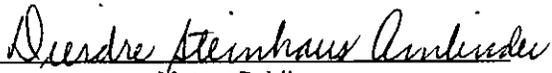
OATH OR AFFIRMATION

I, Andrew Silverman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Prime Executions, Inc., as of December 31, 20 06, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**DIERDRE STEINHAUS AINBINDER**  
Notary Public, State of New York  
No. 01A14899711  
Qualified in Nassau County  
Commission Expires July 6, 20 07

  
\_\_\_\_\_  
Signature  
**President**  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

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 general creditors.
- (g) Computation of net capital for brokers and dealers pursuant to Rule 15c3-1.
- (h) Computation for determination of reserve requirements pursuant to Rule 15c3-3.
- (i) Information relating to the possession or control requirements for broker and dealers 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).

**PRIME EXECUTIONS**

**DECEMBER 31, 2006**

**INDEX**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>3</b>
<b>STATEMENT OF FINANCIAL CONDITION</b>	<b>4</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>5-10</b>

# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

---

## INDEPENDENT AUDITOR'S REPORT

The Stockholders of  
Prime Executions, Inc.

We have audited the accompanying statement of financial condition of Prime Executions, Inc. as of December 31, 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Prime Executions, Inc. as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

*Kempisty and Company CPA's P.C.*  
Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 23, 2007

PRIME EXECUTIONS, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2006

ASSETS

Cash and cash equivalents	\$	236,981
Deposit at clearing broker (cash) (Note 4)		100,000
Floor brokerage receivable (Note 4)		242,070
Receivable from clearing broker (Note 4)		144,229
Property and equipment (net of depreciation of \$147,707)		29,328
Loans and advances		5,888
Other receivables		40,004
Prepaid expenses		41,040
Deposits receivable		31,455
Prepaid estimated taxes		<u>54,171</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>925,166</u></b>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$	325,528
Corporate tax payable		<u>71,500</u>
<b>TOTAL LIABILITIES</b>		<b><u>397,028</u></b>
Commitments (Note 7)		
Stockholders' equity		
Common stock, \$1 par value, 100 shares issued and outstanding		100
Additional paid-in capital		200,000
Retained earnings		565,804
Less: Treasury stock		<u>(237,766)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b><u>528,138</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b><u>925,166</u></b>

See Notes to Financial Statements

**PRIME EXECUTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE 1- ORGANIZATION AND NATURE OF BUSINESS**

Organization

Prime Executions, Inc. (the "Company") was incorporated in the State of Delaware on November 27, 1987 as Andrew Silverman, Inc. The name was changed to Silverman Brothers, Inc. on February 12, 1991 and then to Prime Executions, Inc. on October 7, 1997.

On July 29, 1991, the Company was granted registration as a broker dealer pursuant to Section 15(b) of the Securities and Exchange Act of 1934 by the Securities and Exchange Commission ("SEC"), and on June 21, 1991 the Company's membership on the New York Stock Exchange ("NYSE") was approved as a successor to Andrew Silverman, Sole Proprietor, NYSE.

Nature of Business

The Company's business is that of a New York Stock Exchange floor broker. Additionally, commission income is earned by the Company on security transactions in the United States which it executes on behalf of its customers. Such transactions are cleared on a fully-disclosed basis by the Company's clearing broker.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue Recognition

Securities transactions (and the related commission revenue and expense) are recorded on a trade date basis.

Depreciation Policy

The Company's property and equipment is depreciated on a straight line basis over their estimated useful lives of five to seven years for book purposes. Accelerated methods are used for tax purposes.

Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

**PRIME EXECUTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

Concentration of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income

Effective January 1, 1999 the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires an entity to report comprehensive income and its components and increases financial reporting disclosures. This standard has no impact on the Company's financial position, cash flows or results of operations since the Company's comprehensive income is the same as its reported net income for 2006.

Fair Value of Financial Instruments

The carrying value of financial instruments including receivable due from clearing broker, floor brokerage receivable, other receivable and accounts payable and accrued expenses and corporate taxes payable, approximates their fair value due to the relatively short-term nature of these instruments.

**PRIME EXECUTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Recent Accounting Pronouncements

The Company does not expect the adoption of recent accounting pronouncements to have any material impact on its financial condition or results of operations

**NOTE 3- NET CAPITAL**

The Company is a member firm of the New York Stock Exchange, Inc. and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. Net Capital is defined as at least, the greater of \$100,000 or 6 2/3% of aggregate indebtedness, as defined. Net Capital and aggregate indebtedness change daily. The Company had net capital of \$374,932 at December 31, 2006 which exceeded the regulatory requirement of \$250,000 by \$124,932. The ratio of aggregate indebtedness to net capital was 0.919 to 1 at December 31, 2006.

**NOTE 4- RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS**

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2006, consist of the following:

	<u>Receivable</u>
Deposit at clearing broker	\$ 100,000
Receivable from clearing brokers	144,229
Floor brokerage receivable	242,070
	\$ 486,299

**NOTE 5- INCOME TAXES**

Provisions for federal, state and local income taxes are calculated on reported financial statement pretax income based on current tax law. The income tax benefit/provision for the year ended December 31, 2006 consists of the following:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 33,000	\$ -	\$ 33,000
State and local	38,000	(21,000)	17,000
	\$ 71,000	\$ (21,000)	\$ 50,000

**PRIME EXECUTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE 5- INCOME TAXES (continued)**

Areconciliation of the difference between the expected income tax expense or income computed at the U.S. statutory income tax rate and the Company's income tax expense is shown in the following table:

Expected income tax expense at U.S. statutory tax rate	\$	24,000
The effect of:		
Nondeductible expenses		36,000
Increase due to state taxes, net of U.S. federal income tax effects		11,000
Benefit of deferred tax credits		<u>(21,000)</u>
Income tax expense	\$	<u><u>50,000</u></u>

**NOTE 6- EXEMPTION FROM RULE 15c3-3**

The Company rebates a portion of its commissions back to its customers. However, the Company is not considered a carrying firm for purposes od SEC Rule 15c3-3 because it has elected the following methods for handling of the customers' rebates:

- (1) The introducing broker deposits money into a separate SEC Rule 15c3-3 bank account similar to those accounts established under an SEC Rule 15c3-3(k)(2)(I) exemption;
- (2) The balance in this separate bank account at all times must equal or exceed the payables to customers; and
- (3) The firm issues checks from this separate bank account to pay the customer or the creditor of the customer.

**NOTE 7- COMMITMENTS**

Occupancy

The Company has entered into lease agreements for office space and equipment which expire at various times through September 2009. The Company also rents storage space on a month to month basis. During 2006 the Company paid \$55,173 in rent expense. Remaining commitments under the operating leases mature as follows:

<u>Year ending December 31,</u>		
2007	\$	56,592
2008		58,213
2009		<u>42,744</u>
	\$	<u><u>157,549</u></u>

**PRIME EXECUTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE 7- COMMITMENTS (continued)**

Seat Lease

During 2006 the Company paid \$78,833 in seat lease expense. All leases terminated upon the agreement and plan of merger by and among the NYSE, Inc and Archipelago Holdings Inc during 2006.

**NOTE 8- OFF BALANCE SHEET RISK**

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to its clearing broker on a fully disclosed basis. Therefore, all of the customers' money balances and long and short security positions are carried on the books of the clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company.

**NOTE 9- EMPLOYEE BENEFIT PLANS**

Effective January 1, 1999, the Company adopted the Prime Executions, Inc. 401(k) Plan under section 401(k) of the Internal Revenue Code of 1986, as amended. Under the Plan, all employees eligible to participate may elect to contribute up to the lesser of 12% of their salary or the maximum allowed under the Code. All employees who are at least age 21 and have completed 1,000 hours of service are eligible. The Company may elect to make contributions to the Plan at the discretion of the Board of Directors. During 2006 the Company contributed \$72,368 to the Plan.

**NOTE 10- GUARANTEES**

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

**PRIME EXECUTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

NOTE 10- GUARANTEES (continued)

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under the indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

Exchange Member Guarantees

The Company is a member of the New York Stock Exchange. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.