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

**SEC FILE NUMBER**  
 8-066600

**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 01/01/06 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**SPARX SECURITIES, USA, LLC**

OFFICIAL USE ONLY

FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**360 MADISON AVENUE, 24th FLOOR**

(No. and Street)

**NEW YORK**  
(City)

**NY**  
(State)

**10017**  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**KINFAI (LEO) LO (212) 452 5025**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

**PROCESSED**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**KAUFMANN, GALLUCCI & GRUMER LLP**

MAR 21 2007

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

THOMSON  
FINANCIAL

**80 BROAD STREET, SUITE 1901**  
(Address)

**NEW YORK**  
(City)

**NY 10004**  
(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)

SEC 1410 (06-02)

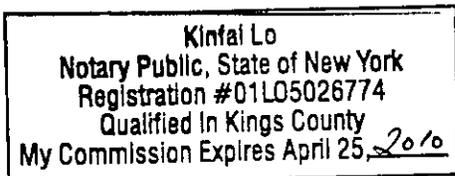
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OATH OR AFFIRMATION

I, ERIK C. KLEINBECK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SPARX SECURITIES, USA, LLC, as of DECEMBER 31, 2006, 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:

NONE



Signature

MANAGING DIRECTOR

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 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.
- (o) Independent auditor's report on internal control.

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

**SPARX Securities, USA, LLC**  
**Statement of Financial Condition**  
**December 31, 2006**

**SPARX Securities, USA, LLC**

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KAUFMANN,  
GALLUCCI &  
GRUMER LLP

CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

To the Member of SPARX Securities, USA, LLC:

We have audited the accompanying Statement of Financial Condition of SPARX Securities, USA, LLC (the "Company") as of December 31, 2006 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the 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 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 as well as 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 statement referred to above presents fairly, in all material respects, the financial position of SPARX Securities, USA, LLC as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

February 9, 2007

*Kaufmann Gallucci & Grumer LLP*

**SPARX Securities, USA, LLC**

**Statement Of Financial Condition**

**December 31, 2006**

**ASSETS**

Cash	\$	300,755
Due from Member		192,665
Prepaid expenses and other assets		<u>39,641</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>533,061</u></b>

**LIABILITIES AND MEMBER'S EQUITY**

<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$	16,064
<b>Member's equity</b>		<u>516,997</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$</b>	<b><u>533,061</u></b>

The accompanying notes are an integral part of this financial statement.

**SPARX Securities, USA, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2006**

**NOTE 1 - ORGANIZATION**

SPARX Securities, USA, LLC (the "Company") is an NASD Member broker-dealer. The Company is a single member Limited Liability Company. SPARX Investment & Research, USA, Inc. ("SIR"), an SEC-registered investment advisor, is the sole managing member. SIR is a wholly owned subsidiary of SPARX Group Co., Ltd. SPARX Group Co., Ltd. is a Japanese asset management company that is publicly listed on Japan Association of Securities Dealers Automated Quotations System ("JASDAQ"). The Company sponsors and offers proprietary funds so sponsored by it or affiliated companies. The proprietary funds include three private investment funds and the SPARX Japan Fund, a registered investment company under the Investment Company Act of 1940. These funds will be offered through the Company solely to institutional and high net worth investors.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The Company has its cash and cash equivalents held at one financial institution exceeding the amount of \$100,000 insured by the FDIC.

***Client Service Fees***

Fee income is recognized in the period such services are provided.

***Income Taxes***

The Company records its allocated portion of the corporation income tax liability of SIR and its affiliates.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**SPARX Securities, USA, LLC**  
**Notes to the Statement of Financial Condition (continued)**  
**December 31, 2006**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fair Value of Financial Instruments*

The financial assets and liabilities of the Company are reported in the balance sheet at fair values.

**NOTE 3 - TRANSACTIONS WITH AFFILIATES**

As more fully described in Note 1, the Company is a component of a larger business enterprise. All revenues are received from SIR.

Pursuant to a selling agreement, the Company is retained by SIR to solicit prospective investors for any collective investment vehicle managed by SIR. SIR has agreed to share a portion of its fees with the Company. In accordance with an expense sharing agreement, the Company incurs costs and expenses for administrative services provided by SIR.

**NOTE 4 - EMPLOYEE BENEFIT PLANS**

The payroll and employee benefit administrative services for the employees or associated persons of the Company are provided by SIR and such costs are allocated in accordance with an expense sharing agreement between the Company and SIR.

**NOTE 5 - REGULATORY REQUIREMENTS**

The Company is subject to the Uniform Net Capital Rule pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934 which requires the maintenance of minimum net capital and requires that aggregate indebtedness, as defined, shall not exceed 15 times net capital.

Net capital and aggregate indebtedness change from day to day. At December 31, 2006, the Company's net capital was approximately \$284,000 and the required net capital was \$5,000. Also at December 31, 2006, the Company's ratio of aggregate indebtedness to net capital was approximately 5.64%.

*HEINE*