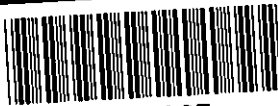


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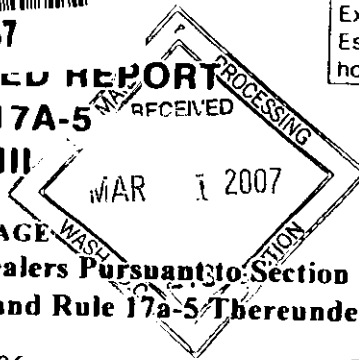
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MISSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2007
Estimated average burden	
hours per response.....	12.00

AN.

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



SEC FILE NUMBER
B-48088

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, 2006 AND ENDING December 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: MATRIX USA, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1285 Avenue of the Americas, 35th Floor

(No. and Street)

New York,

NY

10019

(City)

(State)

(Zip Code)

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

Vincent Buchanan

(212) 809-7171

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Todman & Co., CPAs, P.C.

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

120 Broadway

New York,

NY

10271

(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)

AB  
3/17

OATH OR AFFIRMATION

I, Shari Popkin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MATRIX 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:

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

Shari Popkin Flores  
Signature  
Chairperson  
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 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).

**MATRIX U.S.A., LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2006**

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# TODMAN & Co., CPAs, P.C.

*Certified Public Accountants and Business Consultants*

An Affiliate of TRIEN ROSENBERG

120 Broadway, Suite 2800  
New York, NY 10271  
TEL. (212) 962-5930  
FAX (212) 385-0215

## INDEPENDENT AUDITOR'S REPORT


To Unitholders of  
**Matrix U.S.A., LLC**  
16 East 40<sup>th</sup> Street  
8<sup>th</sup> Floor  
New York, NY 10016

We have audited the accompanying statement of financial condition of Matrix U.S.A., LLC (the "Company") 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 U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered cumulative losses from operations resulting in a unitholders' deficit that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Matrix U.S.A., LLC as of December 31, 2006, in conformity with U.S. generally accepted accounting principles.

  
New York, New York  
February 26, 2007

**MATRIX U.S.A., LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2006**

**ASSETS**

Cash	\$ 89,319
Due from broker	54,441
Securities owned:	
Marketable, at market value	14,856
Other, at fair value	509,000
Prepaid expenses and deposits	40,979
Furniture, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$65,654)	<u>53,129</u>
Total assets	<u>\$ 761,724</u>

**LIABILITIES AND UNITHOLDERS' DEFICIT**

Liabilities	
Accounts payable and accrued expenses	\$ 78,904
Due to related party	<u>5,255</u>
Total liabilities	<u>84,159</u>
Subordinated borrowings	<u>808,158</u>
Unitholders' deficit	<u>(130,593)</u>
Total liabilities and unitholders' deficit	<u>\$ 761,724</u>

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

**MATRIX U.S.A., LLC**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**Note 1 - Organization and Nature of Business**

Matrix U.S.A., LLC, a limited liability company (the "Company"), was organized in the State of New York on November 21, 1994. The Company is engaged in agency transactions, investment banking and private placement transactions and is a member of the National Association of Securities Dealers, Inc. ("NASD") and operates under the provisions of Paragraph (k)(2)(ii) of rule 15c3-3 of the Securities and Exchange Commission ("SEC") and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clears all transactions on behalf of customers on a fully-disclosed basis with a clearing broker-dealer, and promptly transmits all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

**Note 2 - Summary of Significant Accounting Policies**

**(a) Allocations of Net Income and Loss**

Allocations of net income and loss are determined in accordance with the First Amendment to the Amended and Restated Operating Agreement of the Company.

**(b) Securities Transactions**

Securities transactions and the related revenues and expenses are recorded on a settlement-date basis. Securities owned or sold, not yet purchased by the Company, are valued at market and the resulting unrealized gains or losses are reflected in income. There is no material difference between the trade date and the settlement date.

**(c) Use of 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 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.

**(d) Cash and Cash Equivalents**

Cash equivalents consist of highly-liquid investments with original maturities of 90 days or less from the date of purchase.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash equivalents invested with major financial institutions and cash balances held with financial institutions, which at times exceed federally insurable limits.

**MATRIX U.S.A., LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**(e) Due from Broker**

Due from broker consists of cash at the clearing broker.

**(f) Furniture Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets.

**(g) Income Taxes**

In accordance with federal income tax regulations, federal income taxes of the Company are the responsibility of the individual unitholders. Accordingly, no federal provision has been recorded.

**(h) Guaranteed Payments to Members**

Guaranteed payments to members that are intended as compensation for services rendered are accounted for as expenses of the Company rather than as allocations of company net income. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the Company, but rather, as part of the allocation of net income.

**Note 3 - Securities Owned**

**Securities owned, at market value**, consists of marketable investment securities in corporate stocks at market value.

**Securities owned, not readily marketable, at fair value** consists of investment securities in corporate stocks and warrants at fair value as determined by management.

**Note 4 - Subordinated Borrowings**

As of December 31, 2006, the Company has equity subordinated loans subject to claims of general creditors payable to a related party of its minority unitholder with interest at 6% as follows:

Due September 30, 2008	\$ 50,000
Due July 31, 2007	30,000
Due November 30, 2007	150,000
Due March 5, 2008	180,000
Due May 28, 2008	100,000
Due July 31, 2008	100,000
Due July 31, 2008	100,000
Due January 30, 2008	58,510
Due September 30, 2007	<u>39,648</u>
	<u>\$ 808,158</u>

**MATRIX U.S.A., LLC**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**Note 4 - Subordinated Borrowings (continued)**

The subordinated borrowings have been approved by the NASD as regulatory capital and, accordingly, are included as net capital by the Company in computing net capital under the SEC Uniform Capital rule 15c3-1. Interest expense on subordinated borrowings was \$48,489 for the year ended December 31, 2006.

**Note 5 Commitments**

The Company occupied office space and shared administrative resources and other services under a net revenue and expense sharing agreement with a third party. The agreement, terminated in June 2006, required the Company to make monthly payments totaling \$195,600 annually before certain revenue offsets. During the year ended December 31, 2006 the Company incurred approximately \$120,000 in rent, data processing and general overhead expenses net under this agreement.

In June 2006, the Company entered into a 5 year lease with a third party for office space. Rent expense under this lease totaled approximately \$43,000 net of a reimbursement of approximately \$22,000 from a related party sharing this space (see Note 9). Minimum gross annual rent payments under this lease for the years ending December 31 are as follows:

2007	\$ 179,000
2008	184,000
2009	190,000
2010	196,000
2011	<u>99,000</u>
	<u>\$ 848,000</u>

**Note 6 - Net Capital Requirement**

The Company is subject to the SEC Uniform Net Capital 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. At December 31, 2006, the Company had net capital of \$65,595, which was \$60,595 in excess of its required net capital of \$9,524.

**Note 7 - Financial Instruments with Off-Balance-Sheet Risk**

In the normal course of business, the Company's securities activities involve the execution and settlement as agent of various securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract, at a loss



**MATRIX U.S.A., LLC**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**Note 8 - 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.

**Note 9 - Related Parties**

The Company co-markets an investment rating and screening system with a related party, and also uses this system for its own account. Approximately \$271,000 in expenses were recorded for the year. At December 31, 2006 \$5,255 was payable to this related party.

A related party of the Company's minority unitholder has personally posted a letter of credit for \$88,000 as part of the security for the lease described in Note 5.

**Note 10 - Going Concern**

The Company incurred net losses during two of the last three years and, as of December 31, 2006, the Company's liabilities exceeded their total assets by \$0. The Company's ability to meet its regulatory capital and regulatory requirements is dependent on the related party of a unitholder renewing the subordinated borrowings as they mature and continuing new capital infusion when needed.

**Note 11 - Accounting Changes and Other Accounting Developments**

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about instruments carried at fair value but does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS 157 also precludes the use of liquidity or block discount when measuring instruments traded in an active market at fair value. SFAS 157 requires costs related to acquiring financial instruments at fair value to be included in earnings and not capitalized as part of the basis of the instrument. SFAS also clarifies that an issuer's credit standing should be considered when measuring liabilities at fair value.

**MATRIX U.S.A., LLC**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

**Note 11 – Accounting Changes and Other Accounting Developments (Continued)**

SFAS is effective for 2007, and must be applied prospectively, except for the difference between the carrying amount and fair value of a financial instrument that was traded in an active market that was measured at fair value using a block discount and is to be applied as a cumulative-effect adjustment to opening retained earnings on the date we initially apply SFAS 157.

The Company intends to adopt SFAS in 2007 and does not expect it to have a material impact on our Statement of Financial Condition.

**Note 12 - Consolidation of Variable Interest Entities**

FASB issued FIN 46, Consolidation of Variable Interest Entities, (amended by FIN 46R) with an initial measurement for pre-existing entities or business arrangements effective in 2006. FIN 46R addresses the consolidation of business enterprises to which the usual condition of consolidation (ownership of a majority voting interest) does not apply. This interpretation focuses on controlling financial interests that may be achieved through business arrangements that do not involve voting interests. It concludes that, in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary is required to consolidate the assets, liabilities and results of operations of the variable interest entity in its financial statements.

The Company has evaluated its relationship with an entity and has determined that, although the entity is a variable interest entity the Company does not currently hold an implicit controlling interest in this entity. In addition, the Company is not currently the primary beneficiary.

**END**