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

CM

SEC FILE NUMBER
8- 67460

**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 01-01-08 AND ENDING 12-31-08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FSI Securities, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

150 East 52nd Street  
(No. and Street)

New York  
(City)

New York  
(State)

10022  
(Zip Code)

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

John J. Penote

(513) 362-3232

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

BKD, LLP

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

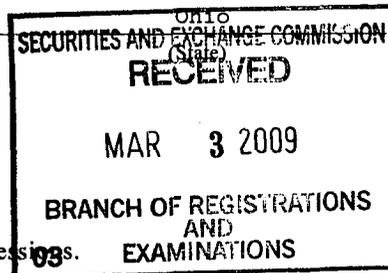
312 Walnut Street, Suite 3000  
(Address)

Cincinnati  
(City)

45202  
(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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**“CONFIDENTIAL - DO NOT PUBLISH”**

**OATH OR AFFIRMATION**

I, John J. Penote, swear (or affirm) that to the best of my knowledge and belief the accompanying financial statements and additional financial information pertaining to the firm of FSI Securities, LLC as of December 31, 2008, 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.

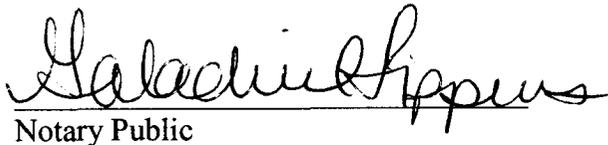
**GALADRIEL TIPPENS**  
Notary Public, State of Ohio  
My Commission Expires 10-13-2013

Signature



Title

CFO

  
Notary Public

This report contains: (check all applicable boxes)

- (a) Facing Page
  - (b) Statement of Financial Condition
  - (c) Statement of Operations
  - (d) Statement of Cash Flows
  - (e) Statement of Changes in Stockholder's Equity or Partners' or Sole Proprietor's Capital
  - (f) Statement of Changes in Liabilities Subordinated to claims of Creditors
- Additional financial information:
- (g) Computation of Net Capital
  - (h) Computation for Determination of Reserve Requirement 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 Accountant's Report on Internal Control

# **FSI Securities, LLC**

Accountants' Report and Statement of Financial Condition

December 31, 2008

## Independent Accountants' Report

Board of Directors  
FSI Securities, LLC  
New York, New York

We have audited the accompanying statement of financial condition of FSI Securities, LLC as of December 31, 2008. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition 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 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of FSI Securities, LLC as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Cincinnati, Ohio  
February 20, 2009

*BKD, LLP*

**FSI Securities, LLC**  
**Statement of Financial Condition**  
**December 31, 2008**

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**Assets**

Cash	\$ 115,540
Cash in trust account	981,893
Accounts receivable	<u>25,000</u>
 Total assets	 <u><u>\$ 1,122,433</u></u>

**Liabilities and Member's Equity**

**Liabilities**

Accounts payable and accrued liabilities	<u>\$ 185,424</u>
 Total liabilities	 <u>185,424</u>

**Member's Equity**

Contributed capital	332,974
Retained earnings	<u>604,035</u>
 Total member's equity	 <u>937,009</u>
 Total liabilities and member's equity	 <u><u>\$ 1,122,433</u></u>

**FSI Securities, LLC**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

FSI Securities, LLC (FSI Securities) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

***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 effect 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.

***Revenue Recognition***

Commissions are recorded on a trade-date basis as securities transactions occur.

***Income Taxes***

The Company's member has elected to have the Company's income taxed as a partnership under provisions of the Internal Revenue Code and a similar section of the state income tax law. Therefore, taxable income or loss is reported to the member for inclusion in their respective tax returns and no provision for federal and state income taxes is included in these statements.

***Uncertain Tax Positions***

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Company has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. The Company has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

**FSI Securities, LLC**  
**Notes to Financial Statements**  
**December 31, 2008**

**Note 2: Related Party Transactions**

FSI Securities is a wholly-owned subsidiary of FSI Capital Holdings, LLC (FSI Capital). FSI Securities has entered into a facilities and services agreement with FSI Capital whereby FSI Capital, through its affiliates, provides office space and equipment, administrative and technological support, executive personnel and other general and administrative expenses for a flat fee of \$180,000 per quarter. Accounts payable at December 31, 2008 includes \$180,000 payable to FSI Capital.

**Note 3: Regulatory Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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. In addition, equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2008 the Company had net capital of \$912,009 which exceeded the minimum required amount by \$899,648; and the Company's ratio of aggregate indebtedness to net capital was 0.20 to 1.

**Note 4: Significant Estimates and Concentrations**

***Current Economic Conditions***

The current economic environment presents financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation investments and underlying assets. The financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the financial results of the Company could be impacted in the future.