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COMMISSION

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

SEC FILE NUMBER
8-68097

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 1/01/2009 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Souza Barros Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1221 Brickell Avenue, Suite #1120

(No. and Street)

Miami

Florida

33131

(City)

(State)

(Zip Code)

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

Jose Alvarado

305-967-7900

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Kaufman Rossin & Co., P.A.

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

2699 S. Bayshore Drive

Miami

Florida

33133

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

FOR OFFICIAL USE ONLY

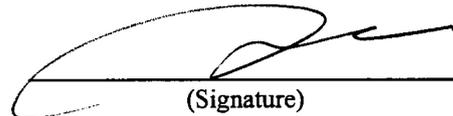
\*Claims for exemption from the requirement that the annual report be covered by the opinion public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17 a-5(e) (2)

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## OATH OR AFFIRMATION

I, Jose Alvarado, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Souza Barros Securities, Inc., as of December 31, 2009, 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:

No exceptions

  
\_\_\_\_\_  
(Signature)  
PRESIDENT & CEO  
\_\_\_\_\_  
(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. (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 15c3-3 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 auditors' report on internal control required by SEC Rule 17a-5.

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

A report containing a statement of financial condition has been included; accordingly it is requested that this report be given confidential treatment.

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## INDEPENDENT AUDITORS' REPORT

Souza Barros Securities, Inc.  
Miami, Florida

We have audited the accompanying statement of financial condition of Souza Barros Securities, Inc. as of December 31, 2009, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 Souza Barros Securities, Inc. as of December 31, 2009, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 11 and 12 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 Exchange Act of 1934. 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.



Miami, Florida  
February 22, 2010

**KAUFMAN  
ROSSIN &  
CO.** PROFESSIONAL  
ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

**SOUZA BARROS SECURITIES, INC.**  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2009

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**ASSETS**

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CASH AND CASH EQUIVALENTS (NOTE 5)	\$	59,001
DEPOSIT AT BROKER (NOTE 5)		250,000
RESTRICTED CERTIFICATE OF DEPOSIT (NOTE 3)		61,861
OTHER ASSETS		18,259
PROPERTY AND EQUIPMENT (NOTE 2)		65,584
	\$	454,705

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**LIABILITIES AND STOCKHOLDER'S EQUITY**

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LIABILITIES

Accounts payable and accrued liabilities	\$	109,241
COMMITMENTS (NOTE 3)		
STOCKHOLDER'S EQUITY		345,464
	\$	454,705

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See accompanying notes.

**SOUZA BARROS SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2009**

<b>REVENUE</b>		
Commissions	\$	124,262
Interest and dividends		1,336
Other		15,439
<b>Total revenue</b>		<b>141,037</b>
<b>EXPENSES</b>		
Salaries (Note 7)		737,751
Professional fees		122,694
Travel		89,540
Insurance		79,660
Clearing charges		79,260
Rent (Note 3)		75,401
Commissions		56,818
Communications (Note 3)		46,529
Meals and entertainment		27,610
Other general and administrative		20,838
Office expenses		19,584
Depreciation		14,229
Education		13,121
Computer expense		13,030
Licenses and permits		3,800
<b>Total expenses</b>		<b>1,399,865</b>
<b>NET LOSS</b>	<b>\$</b>	<b>( 1,258,828)</b>

See accompanying notes.

**SOUZA BARROS SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2009**

	Common stock no par value; 10,000 shares authorized					
	Shares issued and outstanding	Amount	Additional paid-in capital	Accumulated deficit	Total	
Balances - December 31, 2008	100	\$ 10,000	\$ 998,300	\$( 595,708)	\$ 412,592	
Contributions	-	-	1,191,700	-	1,191,700	
Net loss		-	-	( 1,258,828)	( 1,258,828)	
Balances - December 31, 2009	100	\$ 10,000	\$ 2,190,000	\$( 1,854,536)	\$ 345,464	

See accompanying notes.

**SOUZA BARROS SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2009**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$( 1,258,828)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	14,229
Changes in operating assets and liabilities:	
Deposit at broker	( 250,000)
Restricted certificate of deposit	17,128
Other assets	( 262)
Accounts payable and accrued liabilities	92,811
Total adjustments	( 126,094)
Net cash used in operating activities	( 1,384,922)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Capital expenditures	( 6,160)
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Capital contributions	1,191,700
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**NET DECREASE IN CASH AND CASH EQUIVALENTS** ( 199,382)

**CASH AND CASH EQUIVALENTS - BEGINNING** 258,383

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 59,001

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See accompanying notes.

**SOUZA BARROS SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Description of Business and Organization***

Souza Barros Securities, Inc. (the Company) is a registered broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (FINRA). The Company acts in an agency capacity, buying and selling securities for its customers and charging a commission. Prior to fiscal 2009, the Company had been in the development stage.

***Government and Other Regulation***

The Company's business is subject to significant regulation by various governmental agencies and self-regulatory organizations. Such regulation includes, among other things, periodic examinations by these regulatory bodies to determine whether the Company is conducting and reporting its operations in accordance with the requirements of these organizations.

***Securities Transactions and Revenue Recognition***

Securities transactions, along with related commission income and clearing costs, are reported on a trade date basis.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with original purchased maturities of three months or less to be cash equivalents.

From time to time, the Company maintains cash balances with financial institutions in excess of federally insured limits.

***Property and Equipment***

Property and equipment is recorded at cost. Expenditures for major betterments and additions are charged to the asset accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred.

***Depreciation***

Depreciation of property and equipment is computed by the straight-line method using various rates based generally on the estimated useful lives of the assets, which range from five to seven years.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***Income Taxes***

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are provided for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets, net of a valuation allowance, are recorded when management believes it is more likely than not that the tax benefits will be realized. Realization of the deferred tax assets is dependent upon generating sufficient taxable income in the future. The amount of deferred tax asset considered realizable could change in the near term if estimates of future taxable income are modified.

Commencing for 2009, the Company adopted "*Accounting for Uncertainties in Income Taxes*" as prescribed by the *Accounting Standards Codification*, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination by the Company's major tax jurisdictions. Adoption had no effect on the Company's financial statements.

***Use of Estimates in the Preparation of Financial Statements***

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 disclosure of contingent assets and liabilities as of the statement of financial condition date and the reported amounts of revenues and expenses for the year presented. Actual results could differ from those estimates.

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**NOTE 2. PROPERTY AND EQUIPMENT**

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Property and equipment at December 31, 2009 consisted of the following:

Furniture and fixtures	\$	30,204
Office equipment		53,852
		<hr/> 84,056
Less: accumulated depreciation and amortization	(	18,472)
		<hr/> \$ 65,584

Depreciation expense amounted to \$14,229 for the year ended December 31, 2009.

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**NOTE 3. COMMITMENTS**

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***Lease Commitments***

The Company is obligated under a non-cancelable operating lease for its office facility in Miami, Florida, expiring in September 2013. In addition, the Company also leases office equipment under various non-cancelable operating leases.

The approximate future minimum rentals under these leases for the years subsequent to December 31, 2009 are as follows:

2010	\$ 124,000
2011	103,000
2012	82,000
2013	63,000
	<hr/>
	\$ 372,000

Rent expense for the office facility amounted to \$75,401 for the year ended December 31, 2009. The expense for the office equipment amount to \$28,704 for the year ended December 31, 2009 and is included in communications in the accompanying statement of operations.

***Letter of Credit with Bank***

At December 31, 2009, the Company maintained a \$61,861 irrevocable standby letter of credit issued in favor of the lessor holding the Company's office facility lease. The letter of credit expires in September 2010, with automatic one year renewals thereafter. As collateral for the letter of credit, the Company maintains a certificate of deposit in the amount of \$61,861.

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**NOTE 4. NET CAPITAL REQUIREMENTS**

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As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission, which requires that "Net Capital", as defined, shall be at least the greater of \$25,000 or one-eighth (one-eighth for the initial year and one-fifteenth thereafter) of "Aggregate Indebtedness", as defined. At December 31, 2009 the Company's Net Capital was \$199,760 which exceeded the requirements by \$174,760. The ratio of "Aggregate Indebtedness" to "Net Capital" was 0.55 to 1 at December 31, 2009.

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**NOTE 5. RISK CONCENTRATIONS**

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***Clearing and Depository Operations***

The clearing and depository operations for the Company's securities transactions are provided by a brokerage firm, whose principal office is in Jersey City, New Jersey. At December 31, 2009, \$40,299 of cash and cash equivalents and the deposit at broker as reflected in the accompanying statement of financial condition, are held by this brokerage firm.

***Other Risk Concentrations***

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer 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 its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In connection with margin activities, the Company executes customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

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**NOTE 6. INCOME TAXES**

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At December 31, 2009, the Company has a deferred tax asset of approximately \$698,000 relating to its net operating loss carryforward and temporary differences in the tax and book basis of capitalized assets, principally start up expenses deferred and amortized for income tax purposes. A valuation allowance in the same amount has been recorded as management believes it is more likely than not that the tax benefits may not be realized. At December 31, 2009, the Company has a net operating loss carryforward of approximately \$922,000 expiring in 2029.

For the year ended December 31, 2009, the Company recorded an income tax benefit of approximately \$474,000, which was offset by a valuation allowance in the same amount. The effective tax rate differed from the federal statutory rate of 34%, principally due to the change in the deferred tax asset valuation allowance.

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**NOTE 7. EMPLOYEE BENEFIT PLAN**

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The Company sponsors a 401(k) profit sharing plan (the Plan) that covers substantially all full-time employees meeting certain eligibility requirements. The Company matches 50% of employee deferrals up to 4% of annual compensation. The Company's profit sharing expense is recognized in the year incurred. The Company's contributions to the Plan amounted to \$6,552 for the year ended December 31, 2009 and is included as part of salaries in the accompanying statement of operations.

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**NOTE 8. SUBSEQUENT EVENTS**

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***Capital Contribution***

In January 2010, the Company received a capital contribution of \$100,000 from its stockholder.

***Subordinated Loan***

In February 2010, the Company issued a certificate of corporate resolution to accept a \$1,000,000 subordinated loan from its stockholder on a date to be determined upon receiving approval of the loan execution by FINRA.

***Software License, Support, and Services Agreement***

In January 2010, the Company entered into a software license, support, and service agreement. The annual subscription fees required under this agreement are approximately \$169,000, the cost of which will be shared by the Company and another company affiliated through common ownership.

The Company has evaluated subsequent events through February 22, 2010, which is the date the accompanying financial statements were issued.

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**SUPPLEMENTARY INFORMATION**

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**SOUZA BARROS SECURITIES, INC.**

COMPUTATION OF NET CAPITAL PER UNIFORM NET CAPITAL RULE 15C3-1 AND  
RECONCILIATION TO COMPANY'S CORRESPONDING UNAUDITED FORM X-17A-5,  
PART IIA FILING  
DECEMBER 31, 2009

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**CREDITS**

Stockholder's equity	\$	345,464
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**DEBITS**

Property and equipment		65,584
Restricted certificate of deposit		61,861
Other assets		18,259
Total debits		145,704

<b>NET CAPITAL</b>		199,760
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<b>MINIMUM NET CAPITAL REQUIREMENT - GREATER OF \$25,000 OR 12 ½% OF AGGREGATE INDEBTEDNESS OF \$109,241</b>		25,000
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<b>EXCESS NET CAPITAL</b>	\$	174,760
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<b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>		0.55 to 1
-------------------------------------------------------	--	-----------

**SCHEDULE OF AGGREGATE INDEBTEDNESS**

Accounts payable and accrued liabilities	\$	109,241
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**RECONCILIATION WITH COMPANY'S COMPUTATION IN PART IIA OF  
FORM X-17A-5 AS OF DECEMBER 31, 2009**

Net capital as reported in Company's Part IIA (unaudited) Focus report	\$	259,760
Net audit adjustments (primarily arising from additional accrual)	(	60,000)
Net capital per above	\$	199,760

See independent auditors' report.

**SOUZA BARROS SECURITIES, INC.**

**STATEMENT ON EXEMPTION FROM THE COMPUTATION OF RESERVE  
REQUIREMENTS AND INFORMATION FOR POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15C3-3**

**DECEMBER 31, 2009**

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In accordance with the exemptive provisions of SEC Rule 15c3-3, specifically exemption k(2)(ii), the Company is exempt from the computation of a reserve requirement and the information relating to the possession or control requirements.

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED  
BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION  
FROM SEC RULE 15c3-3**

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Souza Barros Securities, Inc.  
Miami, Florida

In planning and performing our audit of the financial statements of Souza Barros Securities, Inc. (the Company) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 consideration of control activities for safeguarding securities. This study included 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:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. 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 internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices 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 internal control and the practices 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 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 internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities 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 SEC to be adequate for its purposes 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 on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kayman, Ross & Co." with a stylized flourish at the end.

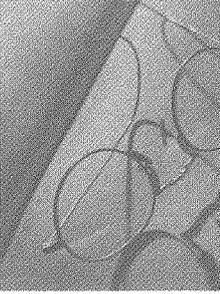
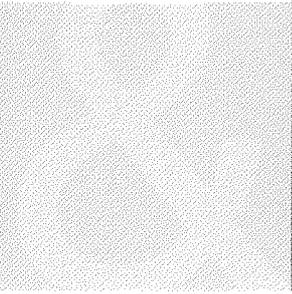
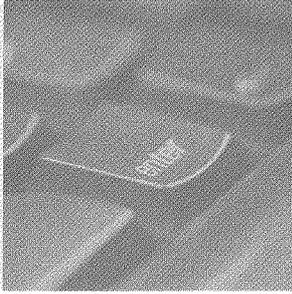
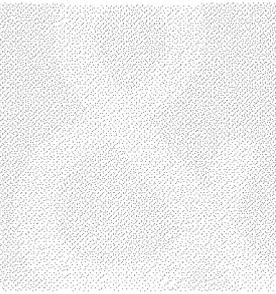
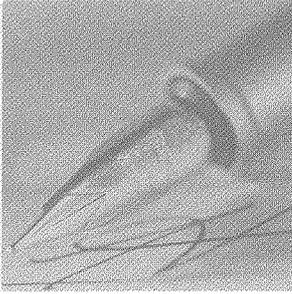
Miami, Florida  
February 22, 2010

# SOUZA BARROS SECURITIES, INC.

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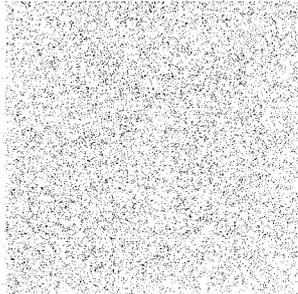
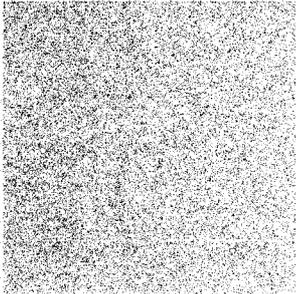
REPORT PURSUANT TO RULE 17A-5 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934

DECEMBER 31, 2009



**KAUFMAN  
ROSSIN &  
CO.** PROFESSIONAL  
ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

**KAUFMAN  
ROSSIN**   
**CO.** PROFESSIONAL  
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**World Wide Web:**

[www.kaufmanrossin.com](http://www.kaufmanrossin.com)



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