

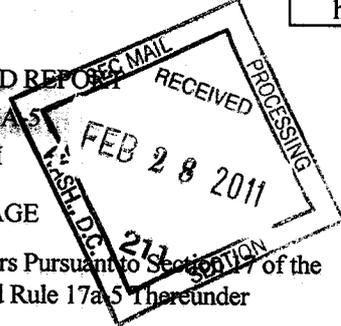
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
FACING PAGE



SEC FILE NUMBER  
8-68218

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 ENDING 12/31/2010

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

**AVATAR CAPITAL GROUP, LLC**

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**75 PARK PLACE, 4<sup>TH</sup> FLOOR**

*Ernst & Young*

**NEW YORK, NEW YORK 10007**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**JUDITH A. RICCIARDI (212) 791-4500**

*Ernst & Young*

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**Ernst & Young LLP**

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

**5 Times Square New York New York 10036-6523**  
(Address) (City) (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

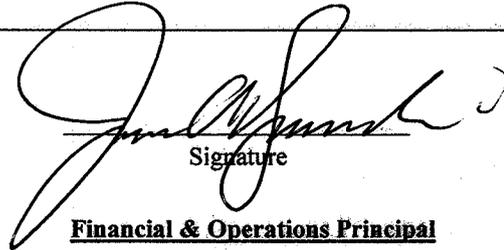
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

*J.D.  
3/11/2011*

## OATH OR AFFIRMATION

I, **Judith A. Ricciardi**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Avatar Capital Group, LLC** as of **December 31, 2010** 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 noted.

  
Signature  
**Financial & Operations Principal**  
Title

  
Notary Public

MELANIE JEUNE  
Notary Public, State of New York  
No. 02JE6159324  
Qualified in Queens County  
Commission Expires Jan. 16, 2011 **2015**

**Certificate Filed in New York County**

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 Proprietor's 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).

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)

Statement of Financial Condition

December 31, 2010

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## Report of Independent Registered Public Accounting Firm

The Member of  
Avatar Capital Group, LLC

We have audited the accompanying statement of financial condition of Avatar Capital Group, LLC (the "Company") as of December 31, 2010. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included 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 statement of financial condition, assessing the accounting principles used and significant estimates made by management, and 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 Avatar Capital Group, LLC at December 31, 2010, in conformity with U.S. generally accepted accounting principles.



February 25, 2011

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)

Statement of Financial Condition

December 31, 2010

<b>Assets</b>	
Cash	\$ 5,436,574
Due from affiliate	107,477
Commissions receivable	9,576
Deposit at clearing broker	100,000
Prepaid expenses and other assets	13,752
Total assets	<u>\$ 5,667,379</u>
 <b>Liabilities and member's capital</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 103,097
Due to Parent	181,468
Total liabilities	<u>284,565</u>
 Member's capital	 5,382,814
Total liabilities and member's capital	<u>\$ 5,667,379</u>

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

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)

Notes to Statement of Financial Condition

December 31, 2010

**1. Organization**

Avatar Capital Group, LLC (the “Company”) was formed on March 16, 2009 in Delaware, pursuant to the provisions of the Delaware Limited Liability Company Act, where its Certificate of Formation was filed with the office of the Secretary of State. The Company is a wholly-owned subsidiary of FXDirectDealer, LLC (“FXDD” or the “Parent”).

The Company is a registered broker-dealer under Section 15(b) of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority. The Company is an inter-dealer broker of corporate fixed income and government securities. The Company commenced trading operations on November 1, 2010. All transactions are cleared through Pershing, LLC (the “Clearing Broker”) or Tradition Asiel Securities, Inc. (“TAS”).

**2. Significant Accounting Policies**

**Basis of Accounting**

The Company’s statement of financial condition has been prepared in accordance with U.S generally accepted accounting principles (“GAAP”).

**Use of Estimates**

The preparation of the statement of financial condition in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Management believes that the estimates utilized in preparing the statement of financial condition and accompanying notes are reasonable; however, actual results could differ from those estimates.

**Commissions Receivable**

Commissions receivable represent amounts due from the Clearing Broker.

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)

Notes to Statement of Financial Condition (continued)

**2. Significant Accounting Policies (continued)**

**Deposit at Clearing Broker**

Cash held on deposit with the Clearing Broker represents the minimum balance required to be maintained in order to utilize clearing services. This balance is subject to withdrawal restrictions such that the Company would be prohibited from doing business with the Clearing Broker if the minimum cash or security balance on deposit is not maintained.

**3. Related Party Transactions**

FXDD provides administrative, employee, office and other services and facilities to the Company under a service agreement and, in turn, charges a monthly administration fee. Included in due to Parent on the statement of financial condition is \$181,468, relating to salaries and other expenses paid by FXDD on behalf of the Company.

On November 1, 2010, the Company entered into an income allocation and space sharing agreement (the "Agreement") with TAS, an affiliate of the Parent. Under the terms of the Agreement, the Company receives \$10,000 per month for rent and administrative expenses. Included in due from affiliate on the statement of financial condition is \$107,477 relating to the net revenue and expense under the Agreement, as well as commissions receivable earned by the Company on trades cleared by TAS.

**4. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's ("SEC")'s Uniform Net Capital Rule 15c3-1 (the "Rule"), which specifies, among other requirements, minimum net capital requirements for registered broker-dealers. The minimum net capital requirement is calculated as the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined.

The Rule provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital could be less than 120% of the minimum net capital requirement. In addition, certain advances, payments of dividends and other equity withdrawals are subject to certain notification requirements and restriction provisions of the Rule. At December 31, 2010, the Company had net capital of \$5,262,522, which was \$5,243,551 in excess of its required net capital of \$18,971.

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)

Notes to Statement of Financial Condition (continued)

**4. Net Capital Requirements (continued)**

The Company does not carry the accounts of customers and, accordingly, is exempt from SEC Rule 15c3-3 under subparagraph (k)(2)(ii).

**5. Concentration of Credit Risk**

At December 31, 2010, the Company's cash was held at a major financial institution in a non-interest bearing account. Under Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, non-interest bearing accounts are fully insured by the Federal Deposit Insurance Corporation ("FDIC"). Interest bearing accounts are insured up to \$250,000 by the FDIC.

Commissions receivable represent amounts due from the Clearing Broker. At December 31, 2010, the entire balance in commissions receivable is concentrated with the Clearing Broker. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The Company's policy is to monitor the credit standing of each counterparty with which it conducts business.

**6. Deposit at Clearing Broker**

The Company is required to maintain deposits at the Clearing Broker in order to conduct its business. At December 31, 2010, deposits at the Clearing Broker consisted of cash of \$100,000.

**7. Guarantees**

The Company applies the provisions of the Financial Accounting Standards Board ("FASB") Auditing Standards Codification ("ASC") 460, *Guarantees*, which provides accounting and disclosure requirements for certain guarantees. ASC 460 requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees. ASC 460 did not have a material effect on the statement of financial condition.

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)

Notes to Statement of Financial Condition (continued)

**7. Guarantees (continued)**

The Company has agreed to indemnify the Clearing Broker for losses that it may sustain from the customer accounts introduced by the Company. At December 31, 2010, there were no customer balances maintained by the Clearing Broker and, therefore, no balances were subject to such indemnification. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions.

**8. Financial Instruments**

FASB ASC 820, *Fair Value Measurements and Disclosures*, requires the disclosure of the fair value of investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As of December 31, 2010, the Company held no financial instruments.

**9. Income Taxes**

The Company's Parent is a limited liability company that is subject to New York City Unincorporated Business Tax. The Company continues to be a limited liability company which is wholly-owned by the Parent and, accordingly, is disregarded for income tax purposes. No provision for income taxes is provided in the Company's statement of financial condition.

**10. Contingencies**

The Company has no contingencies that would materially affect the Company's financial condition.

**11. Subsequent Events**

The Company has evaluated subsequent events through the date this statement of financial condition was available to be issued and has noted no significant events since the date of the statement of financial condition.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

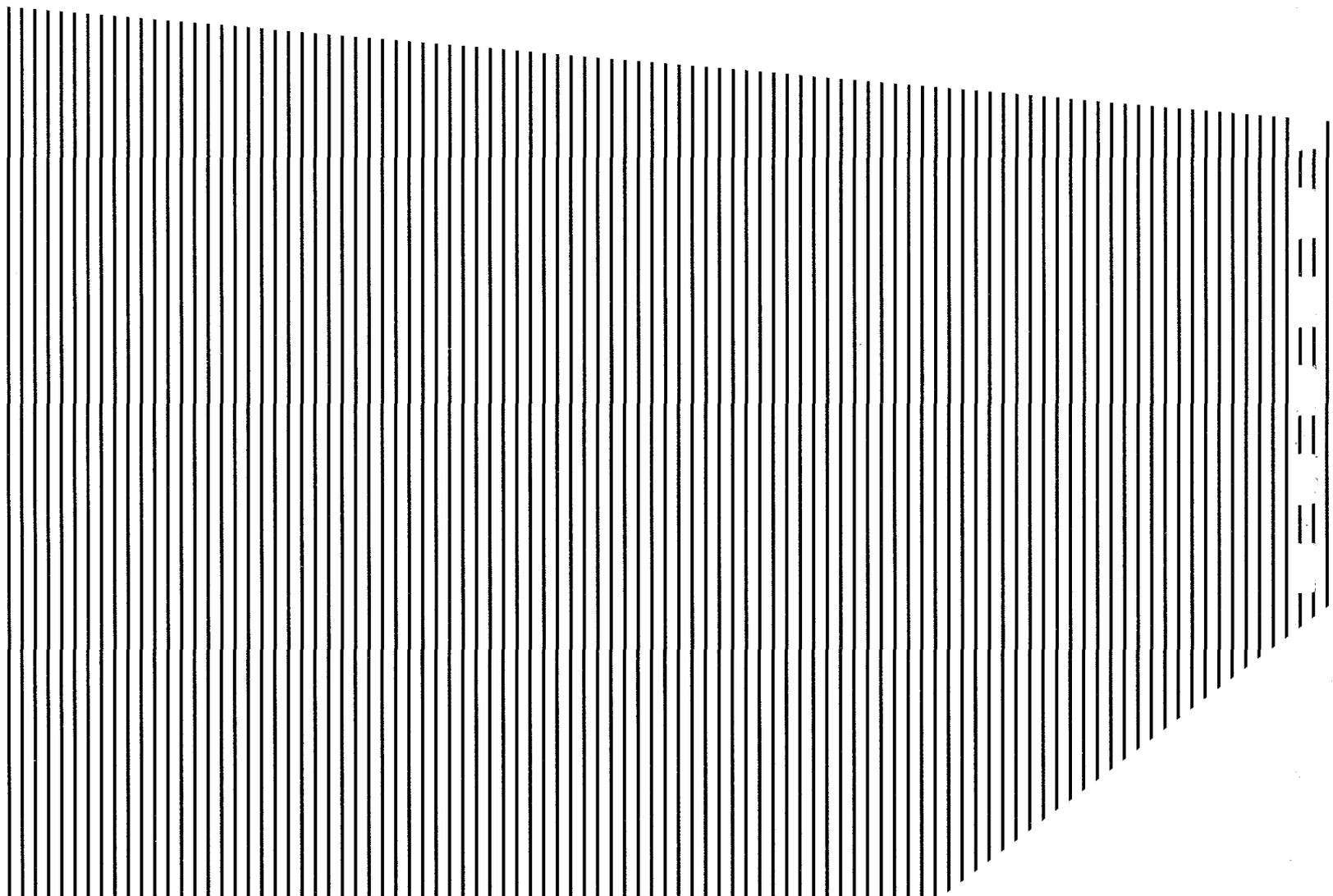
**About Ernst & Young**

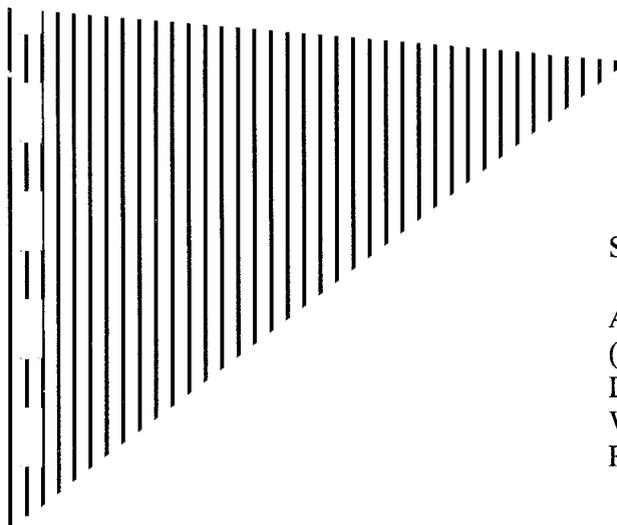
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STATEMENT OF FINANCIAL CONDITION

Avatar Capital Group, LLC  
(A Wholly-Owned Subsidiary of FXDirectDealer, LLC)  
December 31, 2010  
With Report of Independent  
Registered Public Accounting Firm

Ernst & Young LLP

 **ERNST & YOUNG**