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

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

SEC FILE NUMBER 8- 33222

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 01/01/10 AND ENDING 12/31/10 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Delta Equity Services Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 579 Main St

OFFICIAL USE ONLY FIRM I.D. NO.

Bolton (City) MA (State) 01740 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Eugene Hayes (978) 779-5361

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\* Paolilli, Jarek & Der Ananian LLC

319 Littleton Road (Address) Westford MA: 01886 (City) (State) (Zip Code)

CHECK ONE:

- [X] Certified Public Accountant
[ ] Public Accountant
[ ] Accountant not resident in United States or any of its possessions.



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\*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)

AD 3/17

OATH OR AFFIRMATION

I, Eugene Hayes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Delta Equity Services Corp., 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:

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

Eugene Hayes  
Signature

Financial & Operations Principal

Title

[Signature]  
Notary Public



SCOTT R. AUBREY  
Notary Public  
Commonwealth of Massachusetts  
Commission Expires  
April 13, 2012



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).

**DELTA EQUITY SERVICES CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

**Paolilli, Jarek &  
Der Ananian, LLC**

CERTIFIED PUBLIC  
ACCOUNTANTS

## DELTA EQUITY SERVICES CORPORATION

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### INDEX

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	<u>Page</u>
<u>Independent Auditors' Report</u>	1 - 2
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Stockholder's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7- 12
<u>Supplementary Schedules:</u>	
Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission	13
Reconciliation of Net Capital with Computation in Part IIA of Form X-17A-5	14
<u>Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5</u>	15 - 17
<u>Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation Required by SEC Rule 17a-5(e)(4)</u>	18 - 19
Schedule of Assessments and Payments to the Securities Investor Protection Corporation For the year ended December 31, 2010	20

**Paolilli, Jarek &  
Der Ananian, LLC**

CERTIFIED PUBLIC  
ACCOUNTANTS

Gerald F. Paolilli, CPA  
Roger P. Jarek, Jr., CPA

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319 Littleton Road, Suite 101  
Westford, MA 01886

Independent Auditors' Report

To the Stockholders and Board of Directors  
DELTA EQUITY SERVICES CORPORATION  
Bolton, Massachusetts



We have audited the accompanying balance sheets of DELTA EQUITY SERVICES CORPORATION, as of December 31, 2010 and 2009, and the related statements of operations, changes in stockholder's equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 DELTA EQUITY SERVICES CORPORATION as of December 31, 2010 and 2009, and the results of its operations, changes in stockholder's equity, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report - continued

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in supplementary schedules contained on pages 13 and 14 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the 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.

*Paolilli, Jarek & Der Ananian LLC*

Paolilli, Jarek & Der Ananian, LLC  
Certified Public Accountants

Westford, Massachusetts  
February 22, 2011

**DELTA EQUITY SERVICES CORPORATION**

**BALANCE SHEETS**

As of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 2,453,795	\$ 1,484,479
Receivables from clearing brokers	28,537	59,729
Receivables from others	195,733	104,271
Notes receivable	47,547	73,792
Other Investments	321	32,665
Deferred charges	8,645	2,508
Total Current Assets	2,734,578	1,757,444
Fixed assets, net	14,560	13,232
Cash - deposit	114,914	114,857
Notes receivable - non-current	14,569	53,056
Total Assets	\$ 2,878,621	\$ 1,938,589
Liabilities and Stockholder's Equity:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 287,326	\$ 292,533
Accounts payable - related party	147,734	105,965
Commissions payable - registered representatives	1,174,495	758,767
Deferred revenue	38,728	24,000
Accrued income taxes	15,111	0
Commissions payable - related party	3,577	5,946
Total Current Liabilities	1,666,971	1,187,211
Stockholder's Equity:		
Common stock, no par; 1,250 shares authorized, 796 shares outstanding	4,820	4,820
Retained earnings	1,206,830	746,558
Total Stockholder's Equity	1,211,650	751,378
Total Liabilities and Stockholder's Equity	\$ 2,878,621	\$ 1,938,589

**DELTA EQUITY SERVICES CORPORATION**

**STATEMENTS OF OPERATIONS**

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>		
Commissions	\$ 36,861,408	\$ 12,203,443
Other	745	1,555
	<u>36,862,153</u>	<u>12,204,998</u>
 <b>Expenses:</b>		
Commissions and clearing costs	31,303,302	8,632,513
Commissions - related parties	79,162	73,083
	<u>31,382,464</u>	<u>8,705,596</u>
Other operating expenses	1,403,482	1,052,785
Other operating expenses - related party	3,225,207	2,178,087
	<u>4,628,689</u>	<u>3,230,872</u>
Communications	118,332	111,408
Occupancy - related party	132,000	102,000
Occupancy and equipment rental	13,064	10,934
Depreciation	10,448	9,860
Interest	1,773	964
	<u>275,617</u>	<u>235,166</u>
Income before income taxes	575,383	33,364
Provision for income taxes	15,111	0
	<u>560,272</u>	<u>33,364</u>
Net Income	\$ 560,272	\$ 33,364

**DELTA EQUITY SERVICES CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

For the Years Ended December 31, 2010 and 2009

	<u>Common Stock</u>			<u>Total</u>
	<u>Number of</u>	<u>Issued</u>	<u>Retained</u>	<u>Stockholder's</u>
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	<u>Equity</u>
Balances, December 31, 2008	796	\$ 4,820	\$ 713,194	\$ 718,014
Net Income	-	-	33,364	33,364
<hr/>				
Balances, December 31, 2009	796	4,820	746,558	751,378
Net Income	-	-	560,272	560,272
Subchapter S distributions	-	-	(100,000)	(100,000)
<hr/>				
Balances, December 31, 2010	<u>796</u>	<u>\$ 4,820</u>	<u>\$ 1,206,830</u>	<u>\$ 1,211,650</u>

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

**DELTA EQUITY SERVICES CORPORATION**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 560,272	\$ 33,364
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</b>		
Depreciation	10,448	9,860
(Increase) decrease in investments	32,344	10,756
(Increase) decrease in accounts receivable	(60,270)	(58,606)
(Increase) decrease in notes receivable	64,732	(126,848)
(Increase) decrease in deferred charges	(6,137)	3,757
(Increase) decrease in cash - deposit	(57)	(562)
Increase (decrease) in deferred revenue	14,728	24,000
Increase (decrease) in accounts payable and accrued expenses	<u>465,032</u>	<u>347,475</u>
Net Cash Provided by Operations	1,081,092	243,196
<b>Cash Flows from Investing Activities:</b>		
Purchase of fixed assets	(11,776)	(4,278)
<b>Cash Flows from Financing Activities:</b>		
Subchapter S distributions	<u>(100,000)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	969,316	238,918
Cash and cash equivalents - January 1,	<u>1,484,479</u>	<u>1,245,561</u>
Cash and cash equivalents - December 31,	<u>\$ 2,453,795</u>	<u>\$ 1,484,479</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 1,773</u>	<u>\$ 964</u>

**DELTA EQUITY SERVICES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**Note 1. Nature of Business, Summary of Significant Accounting Policies**

**NATURE OF BUSINESS**

Delta Equity Services Corporation (the Company) is located in Bolton, Massachusetts. The Company is a full service registered Broker Dealer in securities, and conducts business on a fully-disclosed basis over a network of independent financial advisors across the United States of America. The Company offers services in stocks, bonds, options, mutual funds, variable annuities, and other securities to its investment clients. The Company is subject to the regulations of certain governmental agencies, and undergoes periodic examinations by the Financial Industry Regulatory Authority (FINRA).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Recognition of Income**

Commissions earned on securities transactions and related income and expenses are recorded on a settlement date basis, an industry standard.

**Concentration of Credit Risk**

The Company maintains a cash balance at a Bolton, MA bank. At times during the years ended December 31, 2010 and 2009, balances on deposit exceeded Federal Deposit Insurance Corporation insured limits.

**Management Fees**

The Company pays monthly management fees to Andover Capital Corporation, a related corporation wholly-owned by Raymond L. Grenier, the president and sole shareholder of the Company, under a management contract (See Related Party Transactions, Note 6). The fees provide compensation for supervisory responsibilities, and for any operational and overhead expenses incurred. These fees, in addition to the expenses incurred by Andover Capital Corporation in connection with the Company's broker and dealer business, shall include 100% of the Company's first \$100,000 in pre-tax profit, 50% of the next pre-tax profits below \$400,000, and 25% of any pre-tax profit over \$400,000.

**DELTA EQUITY SERVICES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**Note 1. Summary of Significant Accounting Policies - continued**

**Allowance for Doubtful Accounts**

Management believes that accounts and notes receivable are fully collectible; thus, an allowance for doubtful accounts was not considered necessary at December 31, 2010 or at December 31, 2009.

**Fair Value Measurement – Current Receivables and Payables**

As required by Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", due to their short-term nature, the amounts recognized for all current receivables and payables approximate fair value.

**Income Taxes - Federal**

The Company has elected, by consent of its stockholder, to be taxed under the provisions of Subchapter S of the Internal Revenue Code, beginning January 1, 2008. Under those provisions, the Company does not pay Federal corporate income taxes. Instead, the stockholder is liable for individual income taxes on his share of the Company's taxable income.

**Depreciation**

Depreciation is provided for on a straight-line basis using the estimated useful lives of the related assets. The Company's fixed assets at December 31, 2010, and at December 31, 2009, were comprised entirely of computer and office equipment with estimated useful lives of three years (See Fixed Assets, Note 3).

**Estimates and Subsequent Events**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, assumptions, and evaluations of events occurring after the financial statement date, that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates.

Management's evaluation of estimates, assumptions, and subsequent events considered in the preparation of these financial statements is limited to information readily available as of February 22, 2011, the date that the financial statements were available to be issued.

**DELTA EQUITY SERVICES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**Note 2. Cash - Deposit**

This account represents security deposits required by its clearing brokerage firm, Pershing, LLC. Interest earned on such deposits can be drawn upon by the Company.

**Note 3. Fixed Assets**

The Company's fixed assets consisted of:

	<u>2010</u>	<u>2009</u>
Computer and office equipment	\$ 89,644	\$ 77,868
Less accumulated depreciation	<u>(75,084)</u>	<u>(64,636)</u>
Fixed assets, net	\$ <u>14,560</u>	\$ <u>13,232</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$10,448 and \$9,860, respectively.

**Note 4. Other Investments**

At December 31, 2010, the Company had short-term positions in certain securities resulting from unsettled trade corrections. The securities, included in the 2010 financial statements at their fair value of \$321, were traded on December 30, 2010, but did not settle until January 4, 2011.

Similarly, at December 31, 2009, the Company had short-term positions in certain securities that also resulted from unsettled trade corrections. The securities, which were included in the 2009 financial statements at their fair value of \$32,665, were traded on December 30, 2009, and settled on January 5, 2010.

DELTA EQUITY SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

Note 5. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1). This rule requires the maintenance of minimum net capital, and also requires that the ratio of aggregate indebtedness to net capital, as defined by rule 15c3-1, shall not exceed 15 to 1. The rule provides that equity capital may not be withdrawn, liabilities subordinated to claims of general creditors may not be repaid, or cash dividends may not be paid if the resulting capital ratio would exceed 10 to 1. The Company, at December 31, 2010 and at December 31, 2009, had net capital of \$887,585 and \$471,451, respectively, which was \$780,246 and \$392,304, respectively, in excess of its required net capital.

Note 6. Related Party Transactions

The Company incurred approximately \$79,000 and \$73,000 in commission expenses during 2010 and 2009, respectively, to Raymond L. Grenier, its sole shareholder.

In addition, the Company shares facilities, equipment, and operational resources with Andover Capital Corporation, a related entity wholly owned by Raymond L. Grenier. Supervisory and overhead costs incurred under this arrangement totaled approximately \$3,225,000 and \$2,178,000 for the years ended December 31, 2010 and 2009, respectively.

The Company also provided services to, and received services from, Bolton Securities Corporation (Bolton), a related corporation doing business as a registered investment advisor (RIA) under an agreement entered into beginning in 2006. For acting as paymaster for Bolton's registered investment advisor agents and for providing accounting, clerical, legal, supervisory and technical support, the Company receives 25% of Bolton's RIA revenue, net of the related commissions. The Company recognized approximately \$111,000 and \$65,000, respectively, under this agreement during the years ended December 31, 2010 and 2009.

DELTA EQUITY SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

Note 6. Related Party Transactions, continued

The Company currently leases office space used as its main headquarters, and certain other property, located in Bolton, MA, as a tenant-at-will from an entity in which Raymond L. Grenier has a beneficial interest. Rent expense was \$132,000 and \$102,000 for the years ended December 31, 2010 and 2009, respectively.

Note 7. Contingent Liabilities

The Company is contingently liable to indemnify Pershing, LLC for any failure by customers to maintain an adequate margin, to deliver securities sold, to pay for securities purchased, or for any other breach of obligation by customers. Margin balances in customers' accounts averaged approximately \$12,100,000 at December 31, 2010.

Note 8. Income Taxes

The components of income tax expense, for the years ended December 31, 2010 and 2009, respectively, are as follows:

	<u>2010</u>	<u>2009</u>
Federal	\$ -0-	\$ -0-
State	<u>15,111</u>	<u>-0-</u>
Provision for income taxes	\$ <u>15,111</u>	\$ <u>-0-</u>

State corporate income taxes are required of Massachusetts S corporations with gross revenues over \$9 million, at a 2010 income tax rate of 3.45% times state taxable income (for 2009, the rate was 4.20%). The Company was subject to this level of S corporation state tax for 2010 and 2009.

Note 9. Economic Dependency

As part of an agreement with Pershing, LLC, the Company introduces all of its accounts, and clears all customer general securities transactions through Pershing, LLC.

DELTA EQUITY SERVICES CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

Note 10. Focus (Form X - 17a - 5) Report

A copy of the Company's most recent, annually audited Focus Form X-17a-5 Report (December 31, 2010) is available for examination at the principal office of the firm and at the regional office of the Securities and Exchange Commission.

Note 11. Exempt Provisions Under Rule 15c3-3

The Company claims an exemption from Securities and Exchange Commission Rule 15c3-3(k)(2)(ii), as an introducing broker or dealer who clears all transactions for customers on a fully disclosed basis with a clearing broker or dealer, which carries all the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to rule 17a-3 and 17a-4, as are customarily made by a clearing broker or dealer.

Note 12. Business Concentrations

The Company had approximately 99 and 85 financial advisor affiliations at times during 2010 and 2009, respectively. Six of those advisors were responsible for approximately 74% and 39% of the Company's commission volume during the years ended December 31, 2010 and 2009, respectively.

Note 13. Subsequent Events

In February 2011, the Company entered into an agreement to lease office space in Miami, Florida, to be used by certain independent registered representatives, beginning in July 2011. The operating lease's initial term is 66 months through December 2016. First year annual rent will be \$198,543, with 3% annual escalations through the term of the lease.

Note 14. Contingencies

During 2010 and 2009, the Company was involved in various claims and lawsuits, arising in the normal course of business. Management believes that any financial responsibilities that may be incurred in the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

## DELTA EQUITY SERVICES CORPORATION

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### COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

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As of December 31, 2010

#### COMPUTATION OF NET CAPITAL

Stockholder's Equity		\$ 1,211,650
Less: Non-allowable assets:		
Unsecured accounts receivable	\$ 195,733	
Notes receivable	62,116	
Fixed assets, net	14,560	
Deferred charges	8,645	
Total non-allowable assets	<u>281,054</u>	
Other deductions and charges	<u>1,264</u>	
		<u>(282,318)</u>
Tentative net capital		929,332
Less: Haircuts on securities		<u>(41,747)</u>
Net Capital		<u>\$ 887,585</u>

#### AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses	\$ 378,168
Commissions payable	1,174,495
Deferred revenue	38,728
Accrued income taxes	15,111
Commissions - related party	<u>3,577</u>
Total Aggregate Indebtedness	<u>\$ 1,610,079</u>

#### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum capital requirement	\$ <u>107,339</u>
Excess Net Capital	<u>\$ 780,246</u>
Ratio: Aggregate indebtedness to net capital	<u>1.81</u>

**DELTA EQUITY SERVICES CORPORATION**

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**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION**

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As of December 31, 2010

**RECONCILIATION WITH COMPANY'S COMPUTATION**

(included in Part IIA, of Form X-17A-5 as of December 31, 2010)

Net capital, as reported in Company's Part IIA (unaudited) FOCUS report	\$ 887,585
Net audit adjustments	<u>0</u>
Net Capital per above	<u>\$ 887,585</u>

**Paolilli, Jarek &  
Der Ananian, LLC**

CERTIFIED PUBLIC  
ACCOUNTANTS

Gerald F. Paolilli, CPA  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**  
**REQUIRED BY SEC RULE 17a-5**

To the Stockholders and Board of Directors  
DELTA EQUITY SERVICES CORPORATION  
Bolton, Massachusetts

In planning and performing our audit of the financial statements and supplementary schedules of DELTA EQUITY SERVICES CORPORATION for the year ended December 31, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

We also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions related to customer securities, we did not review the practices and procedures followed by the Company in making quarterly securities examinations, counts, verifications and comparisons, in the recordation of differences required by rule 17a-13, or in 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 the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control 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 and 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 were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies which 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 for any other purpose.

*Paolilli, Jarek & Der Ananian LLC*

Paolilli, Jarek & Der Ananian, LLC  
Certified Public Accountants

Westford, Massachusetts  
February 22, 2011

**Paolilli, Jarek &  
Der Ananian, LLC**

CERTIFIED PUBLIC  
ACCOUNTANTS

**Paolilli, Jarek &  
Der Ananian, LLC**

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT  
RECONCILIATION  
REQUIRED BY SEC RULE 17a-5(e)(4)**

To the Stockholders and Board of Directors  
DELTA EQUITY SERVICES CORPORATION  
Bolton, Massachusetts

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessments and Payments to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2010, which were agreed to by DELTA EQUITY SERVICES CORPORATION and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating DELTA EQUITY SERVICES CORPORATION's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). DELTA EQUITY SERVICES CORPORATION's management is responsible for the Company's compliance with those requirements. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures were performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement record entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010, as applicable, with the amounts reported in SIPC-7T for the year ended December 31, 2010 noting no differences;

3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers supporting the adjustments noting no differences;
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7T on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Paolilli, Jarek & Der Ananian LLC*

Paolilli, Jarek & Der Ananian, LLC  
Certified Public Accountants

Westford, Massachusetts  
February 22, 2011

**DELTA EQUITY SERVICES CORPORATION**

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**SCHEDULE OF ASSESSMENTS AND PAYMENTS TO THE  
SECURITIES INVESTOR PROTECTION CORPORATION**

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For the Year Ended December 31, 2010

<u>Payment Date</u>	<u>To Whom Paid</u>	<u>Amount</u>
7/26/2010	SIPC	\$ 46,743
2/23/2011	SIPC	<u>31,961</u>
		<u>\$ 78,704</u>

See preceding independent accountants' report  
on applying agreed-upon procedures  
related to an entity's SIPC assessment reconciliation.