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

REC MAIL RECEIVED  
FEB 28 2011  
WASHINGTON, DC 20549  
SECTION

SEC FILE NUMBER  
8 - 67932

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, 2010 AND ENDING December 31, 2010  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

AVATAR SECURITIES, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

19 WEST 24<sup>TH</sup> STREET

(No. And Street)

NEW YORK,  
(City)

NY  
(State)

10010  
(Zip Code)

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

OMAR KATHWARI

(917) 774-3696

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

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

5 West 37<sup>th</sup> Street, 4<sup>th</sup> Floor

(Address)

NEW YORK

(City)

NY

(State)

10018

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of it 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 basis for the exemption. See section 240.17a-5(e)(2)

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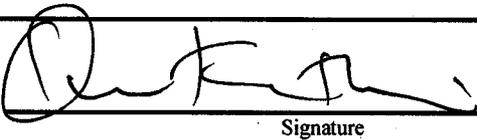
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OATH OR AFFIRMATION

I, OMAR KATHWARI, 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 SECURITIES, 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:

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

GINO A. SMITH  
Commission # 2334728  
Notary Public, State of New Jersey  
My Commission Expires  
September 20, 2015

  
Signature

MANAGING MEMBER  
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 Cash Flows.
- (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 or 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 previous audit.
- (o) Supplemental independent Auditors Report on Internal Accounting Control.

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

**INDEPENDENT AUDITORS' REPORT**

To the Members of  
Avatar Securities, LLC:

We have audited the accompanying statement of financial condition of Avatar Securities, LLC (the "Company"), as of December 31, 2010 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 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 Avatar Securities, LLC as of December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

*Fulvio & Associates, L.L.P.*

New York, New York  
February 24, 2011

AVATAR SECURITIES, LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2010

ASSETS

Cash	\$ 329,865
Securities owned, at fair value	8,652,699
Due from clearing broker	1,116,915
Security deposit	30,431
Property and equipment (net of accumulated depreciation of \$13,825)	26,087
Other asset	<u>51,654</u>
 TOTAL ASSETS	 <u>\$10,207,651</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Securities sold short, at fair value	\$ 5,058,876
Due to clearing broker	237,552
Payable to affiliate	120,000
Accrued expenses	62,615
Other liabilities	<u>25,000</u>

TOTAL LIABILITIES 5,504,043

Members' equity 4,703,608

TOTAL LIABILITIES AND MEMBERS' EQUITY \$10,207,651

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

AVATAR SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2010

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Organization

Avatar Securities, LLC (the "Company") was organized as a limited liability company in the State of Delaware in May 2008. The Company is registered as a securities broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the CBOE Stock Exchange (the "CBSX").

The Company currently has two classes of membership interests: Class A and Class B. Each class is assigned certain rights and obligations pursuant to an operating agreement. The Class A membership interests are reserved for those members that actively manage the Company and share in the overall profits and losses. The Class B membership interests are reserved for those members that wish to become proprietary traders for the Company and share in the profits and losses of the trading accounts within the Company.

Nature of Business

The Company's business is that of an off floor proprietary securities trader. The Company began its trading operations in January 2010. The Company uses two clearing brokers and has recorded their perspective balances on the statement of financial condition.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition:

Securities transactions and the related trading gains or loss are recorded on a trade date basis.

Depreciation and Amortization:

Furniture, office equipment and leasehold improvements are reported at historical cost, net of accumulated depreciation. Depreciation is computed using the straight line method over estimated useful lives of the assets, or the remaining term of the lease.

AVATAR SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2010

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk:

The Company is engaged in various trading 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.

Additionally, cash balances are held principally at one financial institution and exceed the \$250,000 insurable limit. The Company believes it mitigates its risk by investing in or through major financial institutions.

Fair Value Measurement - Definition and Hierarchy

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures (formerly FASB Statement 157, Fair Value Measurements) establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

*Level 1* - Valuations based on quoted prices available in active markets for identical investments.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors. This includes the type of instrument, whether the instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3.

AVATAR SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2010

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the instrument is reported in the lowest level that has a significant input. Even when inputs are not observable, the Company's own assumptions and methodologies are established to reflect those that market participants would use in pricing the asset or liability at the measurement date. In addition, during periods of market dislocation, the observability of inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified to a lower level within the fair value hierarchy.

Valuation techniques – Equity securities:

The Company values investments in equity securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the period.

The Company's assets recorded at fair value are categorized below based upon a fair value hierarchy in accordance with ASC 820 at December 31, 2010. See the definition and discussion of the Company's policies regarding this hierarchy.

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in securities, at fair value	<u>\$ 8,652,699</u>	<u>-</u>	<u>-</u>	<u>\$ 8,652,699</u>
Total	<u>\$ 8,652,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,652,699</u>
% of Total	<u>100%</u>	<u>_____</u>	<u>_____</u>	<u>100%</u>
 <u>Liabilities</u>				
Securities sold short, at fair value	<u>\$ 5,058,876</u>	<u>-</u>	<u>-</u>	<u>\$ 5,058,876</u>
Total	<u>\$ 5,058,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,058,876</u>
% of Total	<u>100%</u>	<u>_____</u>	<u>_____</u>	<u>100%</u>

AVATAR SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2010  
(continued)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3- NET CAPITAL

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule (the "Rule") under the Securities Exchange Act of 1934, which specifies minimum net capital requirements for its registrants. The Company must maintain net capital, as defined, equal to the greater of \$100,000 or 6.667% of aggregate indebtedness, as defined. The Rule also contains provisions that may limit equity capital withdrawals. At December 31, 2010, the Company had net capital of \$2,654,877, which exceeded their minimum net capital requirement by \$2,554,877.

NOTE 4- INCOME TAXES

No provision has been made for federal or state income taxes in the accompanying financial statements as the members are individually responsible for the taxes on their share of the Company's income.

NOTE 5- RELATED PARTY TRANSACTIONS

The Company has an expense sharing agreement ("ESA") with an affiliate, Avatar Trading LLC. The agreement contains provisions for services provided to the Company for office space, general and administrative support and trading software and hardware maintenance. Compensation for the services covered under the agreement is \$230,000 per month and can be reset or re-evaluated on a quarterly basis.

The Company had a payable to Avatar Trading, LLC for the December 2010 portion of the items covered under the ESA. This obligation was settled in January 2011.

AVATAR SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2010  
(continued)

NOTE 6- COMMITMENTS AND CONTINGENCIES

The Company has an operating lease for office space in New Jersey for an initial term of three years commencing from June 1, 2009 until June 30, 2012.

Minimum future lease rental payments are payable as follows.

For the years ending December 31:

	<u>Amounts</u>
2011	\$ 16,224
2012	<u>8,250</u>
Total	<u>\$ 24,474</u>

NOTE 7- SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 24, 2011, which is the date the financial statements were available to be issued. The Company's Class B members capital contributions and withdrawals were \$332,500 and \$601,227, respectively.

AVATAR SECURITIES, LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2010

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