

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

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

Mail Processing  
Section  
MAY 27 2011

SEC FILE NUMBER  
8-66840

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 04/1/2010 AND ENDING 03/31/2011  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: KARVY INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO.

Ste 1568, 11 Broadway  
(No. and Street)  
New York NY 10004  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Paoulli Jarek & Ananian LLC  
(Name - if individual, state last, first, middle name)  
319 Littleton Rd Ste 101 Westford MA 01886  
(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)

OATH OR AFFIRMATION

I, Uday Raval, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Karvy Inc, as of May 12, 20 11, 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:

AGNIESZKA KATARZYNA SZEMBER  
NOTARY PUBLIC  
STATE OF NEW JERSEY  
MY COMMISSION EXPIRES APRIL 15, 2014  
I.D.# 2384676

Agneszka Katarzyna Szember  
Notary Public

Uday Raval  
Signature  
Director  
Title

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).

SEC Mail Processing  
Section

MAY 27 2011

Washington, DC  
110

**KARVY, INC.**

**FINANCIAL STATEMENTS**

**March 31, 2011 and 2010**

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

CERTIFIED PUBLIC  
ACCOUNTANTS

**KARVY, INC.**

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

CERTIFIED PUBLIC  
ACCOUNTANTS

Gerald F. Paolilli, CPA  
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319 Littleton Road, Suite 101  
Westford, MA 01886

Independent Auditors' Report

To the Board of Directors  
KARVY, INC.  
New York, New York

We have audited the accompanying balance sheets of KARVY, INC., as of March 31, 2011 and 2010, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. 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 KARVY, INC. as of March 31, 2011 and 2010, 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 audits were 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 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statement, 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, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Paolilli, Jarek & Der Ananian, LLC  
Certified Public Accountants

Westford, Massachusetts  
April 19, 2011

**KARVY, INC.**

BALANCE SHEETS  
As of March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets:</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 208,210	\$ 57,407
Other current assets	<u>5,678</u>	<u>4,319</u>
Total Current Assets	213,888	61,726
<u>Fixed assets, net</u>	4,316	5,931
<u>Deposit</u>	<u>18,253</u>	<u>18,253</u>
Total Assets	<u>\$ 236,457</u>	<u>\$ 85,910</u>

Liabilities and Stockholder's Equity:

<u>Current Liabilities:</u>		
Accounts payable and accrued expenses	\$ 87,102	\$ 27,470
Accrued income taxes	<u>13,727</u>	<u>0</u>
Total Current Liabilities	<u>100,829</u>	<u>27,470</u>
<u>Stockholder's Equity:</u>		
Common Stock, No Par Value, 1,500 shares authorized	1,285,000	1,285,000
Accumulated Deficit	<u>(1,149,372)</u>	<u>(1,226,560)</u>
	<u>135,628</u>	<u>58,440</u>
Total Liabilities and Stockholder's Equity	<u>\$ 236,457</u>	<u>\$ 85,910</u>

**KARVY, INC.**

STATEMENTS OF OPERATIONS  
For the Years Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Revenues:</u>		
Retainer fee income	\$ 443,647	\$ 532,541
Retainer fee income - related party	319,940	125,000
Interest	48	39
Other	0	1,003
	<u>763,635</u>	<u>658,583</u>
 <u>Operating expenses:</u>		
Professional fees	188,984	467,767
Salaries and related expenses	209,286	200,405
Marketing and promotion	60,060	14,400
Occupancy	108,608	103,779
Travel and entertainment	19,775	14,808
Quote service	30,664	26,180
Regulatory compliance	22,850	22,149
Miscellaneous	8,428	19,349
Communications	9,262	11,723
Depreciation	2,198	3,970
Dues and subscriptions	3,306	1,156
Office supplies and expense	6,331	6,525
Insurance	2,968	2,320
	<u>672,720</u>	<u>894,531</u>
 <u>Income (Loss) from operations</u>	 90,915	 (235,948)
 <u>Provision for income taxes</u>	 13,727	 0
 <u>Net Income (Loss)</u>	 \$ <u>77,188</u>	 \$ <u>(235,948)</u>

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

**KARVY, INC.**

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
For the Years Ended March 31, 2011 and 2010

	<u>Common Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	
<u>Balance, March 31, 2009</u>	30	1,145,000	(990,612)	154,388
Capital Contributions	4	140,000		140,000
Net Loss			<u>(235,948)</u>	<u>(235,948)</u>
<u>Balance, March 31, 2010</u>	34	1,285,000	(1,226,560)	58,440
Net Income			<u>77,188</u>	<u>77,188</u>
<u>Balance, March 31, 2011</u>	<u>34</u>	<u>\$ 1,285,000</u>	<u>\$ (1,149,372)</u>	<u>\$ 135,628</u>

**KARVY, INC.**

**STATEMENTS OF CASH FLOWS**  
For the Years Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities:</u>		
Net Income (Loss)	\$ 77,188	\$ (235,948)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,198	3,970
(Increase) Decrease in other current assets	(1,359)	5,805
Increase in deposit	-	0
Increase (Decrease) in accounts payable and accrued expenses	59,632	15,731
Increase in accrued income taxes	<u>13,727</u>	<u>-</u>
Net cash (used) by operating activities	151,386	(210,442)
<u>Cash Flows used in Investing Activities:</u>		
Purchase of fixed assets	(583)	(2,404)
<u>Cash Flows from Financing Activities:</u>		
Capital contributions	<u>0</u>	<u>140,000</u>
<u>Net (decrease) in cash and cash equivalents</u>	150,803	(72,846)
<u>Cash and cash equivalents - Beginning,</u>	<u>57,407</u>	<u>130,253</u>
<u>Cash and cash equivalents - Ending,</u>	<u>\$ 208,210</u>	<u>\$ 57,407</u>

The accompanying notes are integral part  
of these financial statements.

# KARVY, INC.

## NOTES TO FINANCIAL STATEMENTS March 31, 2011 and 2010

### Note 1. Summary of Significant Accounting Policies

#### NATURE OF BUSINESS

Karvy, Inc. "the Company" was organized on September 18, 2003 as a wholly owned subsidiary of Karvy Consultants Ltd, India. Karvy Consultants is a member of the Karvy Group, an integrated financial services provider based in India. In August of 2010, Karvy Consultants, transferred ownership of Karvy, Inc. to Karvy Stock Broking, Ltd., a member of the Karvy Group. The Company, which is located in New York City, is a registered Broker and Dealer in securities. The Company is subject to the regulations of certain federal and state agencies, and undergoes periodic examinations by the Financial Industry Regulatory Authority.

#### 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**

The Company receives consulting fees for advising Indian clients on U.S. entry strategy, capital raising in the United States, and business/market strategies. The company also advises Indian business clients on cross-border, U.S./India transactions. This income is recognized as revenue in the respective months for which these fees relate. At March 31, 2011 and 2010, there were not any accounts receivable for services provided or deferred revenue from customer payments.

##### **Fixed Assets**

Fixed assets are depreciated for financial reporting purposes using the straight-line method over the following estimated useful lives:

Computer and office equipment	5 years
Furniture and fixtures	7 years

See independent auditors' report.

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

CERTIFIED PUBLIC  
ACCOUNTANTS

# KARVY, INC.

## NOTES TO FINANCIAL STATEMENTS March 31, 2011 and 2010

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 revenues and expenses during the reporting period. Actual results 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 April 19, 2011, the date that the financial statements were available to be issued.

### Note 2. Fixed Assets

At March 31, 2011 and 2010, the Company's fixed assets consisted of:

	<u>2011</u>	<u>2010</u>
Computer and office equipment	\$ 23,831	\$ 23,249
Furniture and fixtures	<u>8,249</u>	<u>8,249</u>
	32,080	31,498
Accumulated Depreciation	<u>27,765</u>	<u>25,567</u>
	<u>\$ 4,315</u>	<u>\$ 5,931</u>

### Note 3. 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. At March 31, 2011 and 2010, the Company had net capital in excess of its required net capital.

## KARVY, INC.

### NOTES TO FINANCIAL STATEMENTS March 31, 2011 and 2010

#### Note 4. Commitments

The Company leases office space in New York City under a five year lease term ending September 30, 2013. Rent expense in 2011 and 2010 was \$108,608 and \$103,779, respectively. Future minimum rentals, on an annual basis, are as follows:

Years ending March 31,

2011	\$ 96,908
2012	100,890
2013	<u>100,890</u>
	<u>\$ 298,688</u>

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

A copy of the Company's most recent, annually audited Focus Form X-17a-5 Report (March 31, 2011) is available for examination at the principal office of the firm and at the regional office of the Securities and Exchange Commission.

#### Note 6. Exempt Provisions Under Rule 15c3-3

The Company claims an exemption from Securities and Exchange Commission Rule 15c3-3(k) (2) (i), as broker or dealer that does not hold customer funds or securities, and engages only in the private placement of securities, third party research; and cross border advisory services.

#### Note 7. Income Taxes

Since inception, the Company has incurred net operating losses totaling approximately \$1,214,000. The Company has not recorded a deferred tax asset representing the potential income tax benefit that may arise when the available prior years' net operating losses are applied against taxable income which may arise in future years. Internal Revenue Code section 382 limits the usage of net operating losses in future years when a significant change of ownership has occurred. A significant change in the Company's ownership occurred in August 2010. As a result, the usage of

# KARVY, INC.

## NOTES TO FINANCIAL STATEMENTS March 31, 2011 and 2010

significant change of ownership has occurred. A significant change in the Company's ownership occurred in August 2010. As a result, the usage of net operating losses arising prior to the change in ownership, are limited to \$39,500 per year.

The availability of prior years' net operating losses, which may be utilized to offset future years' taxable income, will expire as follows:

<u>March 31,</u>	
2025	\$ 48,000
2026	318,000
2027	250,000
2029	325,000
2030	<u>234,000</u>
	<u>\$1,175,000</u>

### Note 8. Related Party Transactions

The Company received revenues of \$319,940 and \$125,000 during the years ended March 31, 2011 and 2010, respectively, from Karvy Global Services, Inc. and Karvy Consultants, Ltd., entities related to the Company through the Karvy Group of financial services companies.

### Note 9. Other Significant Events

In October 2008 Karvy Consultants Limited, (an India corporation), hereinafter (KCL), owner of 100% of the shares of Karvy, Inc., entered into an agreement to transfer ownership of the shares of Karvy, Inc. to Karvy Stock Broking Limited, (an India corporation), hereinafter (KSBL). The Board of Directors of KSBL approved the acquisition of Karvy, Inc. shares at its June 9, 2009 meeting. Accordingly, the management of Karvy, Inc. reported the change in ownership to FINRA in July of 2009. The transfer of Karvy, Inc. shares from KCL to KSBL is subject to prior approval of the Reserve Bank of India. The transfer of ownership was completed in August of 2010.

**KARVY, INC.**

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

As of March 31, 2011

COMPUTATION OF NET CAPITAL

Stockholder's equity		\$	135,628
Less non-allowable assets:			
CRD account	\$	237	
Other current assets		5,440	
Fixed assets, net		4,316	
Deposit		<u>18,253</u>	
			<u>28,246</u>
Net Capital		\$	<u>107,382</u>

AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses	\$	87,102
Accrued income taxes		<u>13,727</u>
Total Aggregate Indebtedness	\$	<u>100,829</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum capital requirement	\$	<u>6,722</u>
Excess Net Capital	\$	<u>100,660</u>
Ratio: Aggregate indebtedness to net capital		<u>0.94</u>

**KARVY, INC.**

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
As of March 31, 2011

RECONCILIATION WITH COMPANY'S COMPUTATION

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

Net capital, as reported in Company's Part IIA (unaudited) FOCUS report	\$ 107,382
Net audit adjustments	<u>0</u>
Net Capital per above	<u>\$ 107,382</u>

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

CERTIFIED PUBLIC  
ACCOUNTANTS

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319 Littleton Road, Suite 101  
Westford, MA 01886

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**  
**REQUIRED BY SEC RULE 17a-5**

To the Board of Directors  
KARVY, INC.  
New York, New York

In planning and performing our audit of the financial statements and supplementary schedules of KARVY, INC. for the year ended March 31, 2011, 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, and 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.

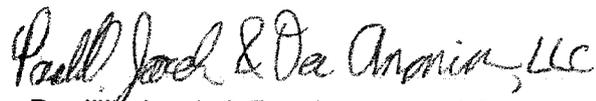
Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in 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.

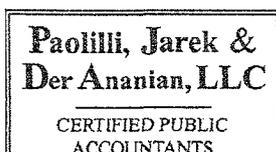
Our consideration of internal control would not necessarily disclose all matters in internal control that might be significant deficiencies under standards established by the American Institute of Certified Public Accountants. A significant deficiency is a condition in which the design or operation of 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 March 31, 2011, to meet the SEC's objectives.

This report is intended solely for the use of the 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 should not be used for any other purpose.

  
Paolilli, Jarek & Der Ananian, LLC,  
Certified Public Accountants

Westford, Massachusetts  
April 19, 2011



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

CERTIFIED PUBLIC  
ACCOUNTANTS

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319 Littleton Road, Suite 101  
Westford, MA 01886

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES RELATED TO SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors  
KARVY, INC.  
New York, New York

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 March 31, 2011, which were agreed to by KARVY, INC. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating KARVY, INC.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). KARVY, INC.'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 March 31, 2011, as applicable, with the amounts reported in SIPC-7T for the year ended December 31, 2011 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 material 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  
Certified Public Accountants

Westford, Massachusetts  
April 25, 2011

