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

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 08/01/10 AND ENDING 07/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BTS SECURITIES CORPORATION

OFFICIAL USE ONLY
FIRM I.D. NO.

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

420 BEDFORD STREET, SUITE 340

(No. and Street)

LEXINGTON

MA

02420

(City)

(State)

(Zip Code)

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

MATTHEW PASTS

(781) 863-2545

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BRACE & ASSOCIATES, PLLC

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

PMB 335, 123 NASHUA RD, UNIT 17

LONDONDERRY

NH

03053

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

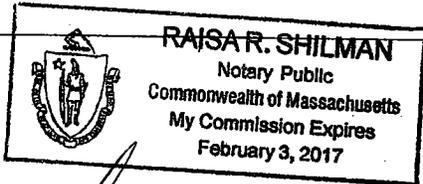
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, MATTHEW PASTS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BTS SECURITIES CORPORATION, as of JULY 31, 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:



Signature of Notary Public

Notary Public

Signature of Matthew Pasts

Signature

PRESIDENT

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).

BTS SECURITIES CORPORATION

FINANCIAL STATEMENTS

JULY 31, 2011

BRACE & ASSOCIATES, PLLC

Certified Public Accountant

PMB 335, 123 NASHUA ROAD, UNIT 17

LONDONDERRY, NH 03053

TEL. (603) 889-4243

FAX (603) 882-7371

Independent Auditor's Report

To the Board of Directors of
BTS Securities Corporation
Lexington, Massachusetts

I have audited the accompanying statement of financial condition of BTS Securities Corporation (the Company) as of July 31, 2011, and the related statements of income, changes in stockholders' 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTS Securities Corporation as of July 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brace & Associates, PLLC

Brace & Associates, PLLC
Certified Public Accountant
Londonderry, New Hampshire
September 20, 2011

BTS SECURITIES CORPORATION

STATEMENT OF FINANCIAL CONDITION

JULY 31, 2011

ASSETS

Cash and cash equivalents	\$ 343,341
Commissions receivable	10,548
Marketable securities	2,692
Prepaid expenses	9,852
Not readily marketable securities, at estimated fair value	<u>7,221</u>
Total assets	<u><u>\$ 373,654</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Accounts payable and other accrued liabilities	\$ 2,500
Commissions payable	<u>593</u>
Total liabilities	<u><u>3,093</u></u>

Stockholders' Equity

Common stock, no par value; shares authorized 100; 100 shares issued and outstanding	14,435
Additional paid-in capital	79,920
Retained earnings	<u>276,206</u>

Total stockholders' equity 370,561

Total liabilities and stockholders' equity \$ 373,654

BTS SECURITIES CORPORATION
STATEMENT OF INCOME (LOSS)
FOR THE YEAR ENDED JULY 31, 2011

Revenues:	
Commissions	\$ 339,679
Interest and dividends	1
Unrealized gain/loss	1,378
Signature guarantees	<u>42,900</u>
Total income	<u>383,958</u>
Expenses:	
Commissions	242,047
Audit and accounting expenses	17,576
Consulting and directors' fees	20,000
Fees and licenses	29,111
Insurance expense	8,278
Occupancy	26,039
Other expenses	<u>4,580</u>
Total expenses	<u>347,631</u>
Net income (loss) before income taxes	36,327
Provision for income taxes	<u>667</u>
Net income (loss)	<u>\$ 35,660</u>

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

BTS SECURITIES CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED JULY 31, 2011

	<u>Capital Stock</u>		<u>APIC</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares Issued</u>	<u>Common Stock</u>			
Balance at August 1, 2010	100	\$ 14,435	\$ 79,920	\$ 240,546	\$ 334,901
Net income (loss)				35,660	35,660
Balance at July 31, 2011	<u>100</u>	<u>\$ 14,435</u>	<u>\$ 79,920</u>	<u>\$ 276,206</u>	<u>\$ 370,561</u>

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

BTS SECURITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2011

Cash flows from operating activities:	
Net income (loss)	\$ 35,660
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Unrealized gain	(1,379)
Increase in commissions receivable	(5,406)
Increase in prepaid expenses	(387)
Decrease in commissions payable	(3,035)
Decrease in accounts payable	(2,500)
Decrease in income taxes payable	<u>(301)</u>
Net cash provided by operating activities	<u>22,652</u>
Cash flows from investing activities:	
None	-
Cash flows from financing activities:	
None	<u>-</u>
Net increase in cash	22,652
Cash at beginning of the year	<u>320,689</u>
Cash at end of the year	<u>\$ 343,341</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:	
Interest payments	<u>\$ -</u>
Income tax payments	<u>\$ 667</u>

Disclosure of accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

BTS SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

JULY 31, 2011

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

BTS Securities Corporation (BTSSC), a registered broker-dealer, was established to provide brokerage services with respect to purchases and sales in mutual funds and variable annuities. It was incorporated in Massachusetts on January 21, 1981 and provides its services at its Lexington, MA office.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of 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.

Recognition of Revenue

Revenue is recorded during the period in which services are performed.

Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Amounts receivable and payable for securities transactions have not reached their contractual settlement date are recorded net on the statement of financial condition.

Not Readily Marketable Securities

Securities not readily marketable are valued at fair value as determined by management. These securities include investment securities (a) for which there is not market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company. At July 31, 2011, these securities at estimated fair values consist of the equities valued at \$7,221.

Management's Review for Subsequent Events

Management had evaluated subsequent events through September 20, 2011, the date which the financial statements were available to be issued.

NOTE 2- NET CAPITAL

As a broker dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain a specified amount of net capital as defined, and a ratio of aggregate indebtedness to net capital as derived, not exceeding 15 to 1. The Company's net capital as computed under 15c3-1, was \$353,488 at

July 31, 2011, this exceeded required net capital of \$5,000 by \$348,488. The ratio of aggregate indebtedness to net capital at July 31, 2011 was 0.9%

BTS SECURITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

JULY 31, 2011

NOTE 3- INCOME TAXES

The Company and its stockholders elected to be subject to the S corporation provisions of the Internal Revenue Code. Accordingly, all income or losses and applicable tax credits are reported on the stockholders' individual income tax returns. Massachusetts levies a minimum entity tax on Subchapter S corporations which is reflected in the current period expenses. The company files tax returns in the U.S. federal jurisdiction and various state jurisdictions. The company is no longer subject to U.S. federal and state examinations by tax authorities for years before 2007.

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax position at July 31, 2011 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the period presented. The Company had no accruals for interest and penalties at July 31, 2011.

NOTE 4- RELATED PARTY TRANSACTIONS

During the year ended July 31, 2011, BTSSC provided signature guarantees to BTS Asset Management (a sister company), for which it charged \$42,900. No amount was due to or from this related party at July 31, 2011.

BTS Asset Management leases the office facility that the Company uses for its operations. In accordance with the expense sharing agreement between the Company and BTS Asset Management, the Company is charged monthly fees for office supplies, telephone, professional fees and rent. The allocation is calculated each year according to the Company's usage from the prior year. During the year ended July 31, 2011 the Company reimbursed BTS Asset Management \$549 for office supplies, \$1,081 for telephone charges, \$9,789 for professional fees and \$26,039 for rent expenses. No amount was due to this related party at July 31, 2011.

NOTE 5- CONCENTRATION OF CREDIT RISK

The Company has cash deposits in a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). The excess amount was \$93,341 at July 31, 2011.

BTS SECURITIES CORPORATION
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JULY 31, 2011

BTS SECURITIES CORPORATION

SCHEDULE I

**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL
PURSUANT TO RULE 15c3-1**

JULY 31, 2011

Total ownership equity from statement of financial condition	\$	370,561
Total nonallowable assets from statement of financial condition		<u>(17,073)</u>
Net capital before haircuts on securities positions		353,488
Haircuts on securities		<u>-</u>
Net capital	\$	<u>353,488</u>
Aggregate indebtedness:		
Total A.I. liabilities from statement of financial condition	\$	<u>3,093</u>
Total aggregate indebtedness	\$	<u>3,093</u>
Percentage of aggregate indebtedness to net capital		<u>0.9%</u>
Computation of basic net capital requirement:		
Minimum net capital required (6-2/3% of A.I.)	\$	<u>206</u>
Minimum dollar net capital requirement of reporting broker or dealer	\$	<u>5,000</u>
Net capital requirement	\$	<u>5,000</u>
Excess net capital	\$	<u>348,488</u>
Excess net capital at 1000%	\$	<u>353,467</u>

There were no material differences between the audited and unaudited computation of net capital.

SCHEDULE II

BTS SECURITIES CORPORATION

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3
OF THE SECURITIES EXCHANGE ACT OF 1934**

JULY 31, 2011

BTS Securities Corporation is exempt from the reserve requirements of Rule 15c3-3 because BTSSC does not hold funds or securities for, or owe money or securities to, customers. BTSSC does not carry security accounts for customers or perform custodial functions relating to customer securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirements pursuant to Rule 15c3-3 are not applicable. In the opinion of management, BTSSC was in compliance with the exemptive provision of Rule 15c3-3 throughout the year ended July 31, 2011.

BRACE & ASSOCIATES, PLLC

Certified Public Accountant

PMB 335, 123 NASHUA ROAD, UNIT 17

LONDONDERRY, NH 03053

TEL. (603) 889-4243

FAX (603) 882-7371

Independent Auditor's Report on Internal Control Structure Required by SEC Rule 17a-5

Board of Directors
BTS Securities Corporation

In planning and performing my audit of the financial statements and supplemental schedules of BTS Securities Corporation, (the Company), for the year ended July 31, 2011, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness 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, I 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.
2. Recordation of differences required by rule 17a-13.
3. 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 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, error 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.

My 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 error 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, I noted no matters involving internal control, including control activities for safeguarding securities that I consider to be material weakness as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at July 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, Inc. 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.

Brace & Associates, PLLC

Brace & Associates, PLLC
Certified Public Accountant
Londonderry, New Hampshire
September 20, 2011

BRACE & ASSOCIATES, PLLC

Certified Public Accountant

BTS SECURITIES CORPORATION

SUPPLEMENTAL SIPC REPORT

JULY 31, 2011

BRACE & ASSOCIATES, PLLC

Certified Public Accountant

PMB 335, 123 NASHUA ROAD, UNIT 17

LONDONDERRY, NH 03053

TEL. (603) 889-4243

FAX (603) 882-7371

Board of Directors
BTS Securities Corporation

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, I have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments, Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the Year Ended July 31, 2011, which were agreed to by BTS Securities 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 BTS Securities Corporation's compliance with the applicable instructions of the Assessment Reconciliation (Form SIPC-7). BTS Securities Corporation's management is responsible for the BTS Securities Corporation's compliance with those requirements. This 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 those parties specified in this report. Consequently, I 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 I performed and my findings are as follows:

- 1) Compared listed assessment payments with respective cash disbursement records entries, noting no differences;
- 2) Compared amounts included with the amounts reported on the audited Form X-17A-5 for the year ended July 31, 2011 with the amounts reported in the General Assessment Reconciliation (Form SIPC-7) for the year ended July 31, 2011, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
- 4) Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting adjustments, noting no differences.

I was not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my 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.

Brace & Associates, PLLC

September 20, 2011

BTS SECURITIES CORPORATION
DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT
FOR THE PERIOD ENDED JULY 31, 2011

SCHEDULE OF ASSESSMENT PAYMENTS

General Assessment		\$ 111
Less Payments Made:		
<u>Date Paid</u>	<u>Amount</u>	
<u>02-25-11</u>	<u>\$ 54</u>	
_____	_____	<u>(54)</u>
Interest on late payment(s)		_____
Total Assessment Balance and Interest Due		<u>\$ 57</u>
Payment made with Form SIPC 7		<u>\$ 57</u>

See Accountant's Report

BTS SECURITIES CORPORATION
DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT
FOR THE PERIOD ENDED JULY 31, 2011

Total revenue	<u>\$ 383,958</u>
Additions:	
Various (list)	
Total additions	<u>\$ 0</u>
Deductions:	
Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts and from transactions in security futures products	339,679
Revenues from commodity transactions	0
Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions	0
Net gain from securities in investment accounts	0
100% of commissions and markups earned from transactions in certificates of deposit, treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date	0
Other	
Total deductions	<u>\$ 339,679</u>
SIPC NET OPERATING REVENUES	<u>\$ 44,279</u>
GENERAL ASSESSMENT @ .0025	<u>\$ 111</u>

See Accountant's Report