

SECURITY



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

Mall Processing Section

FEB 17 2012

SEC FILE NUMBER
8-44734

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 01/01/2011 AND ENDING 12/31/2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Marsden, John R. Richard DEB: JPM Securities

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1103 Powell Avenue
(No. and Street)
Erie PA 16505
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
John A. Marsden, Jr. (814) 836-1800
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Root, Spitznagel + Smiley, Inc
(Name - if individual, state last, first, middle name)
900 State Street Erie PA 16507
(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)

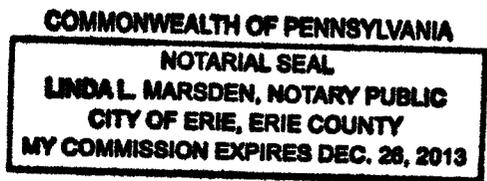
QJA 2/22/12

OATH OR AFFIRMATION

I, John R. Marsden, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JRM Securities, as of December 31,, 2011, 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:

(X) [Signature]
Signature
Proprietor
Title

Linda L. Marsden
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 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.
- (o) Statement of Cash Flows

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

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Washington, DC
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FINANCIAL STATEMENTS AND REPORTS
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
JRM SECURITIES
December 31, 2011

Root, Spitznas & Smiley, Inc.
Certified Public Accountants

**FINANCIAL STATEMENTS AND REPORTS
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
JRM SECURITIES
December 31, 2011**

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Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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Erie, Pennsylvania 16501-1450

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FAX: 814-455-6799

Michael N. Barko, CPA
J. Randolph Gehrlein, CPA
James T. Scavona, CPA

Independent Auditor's Report

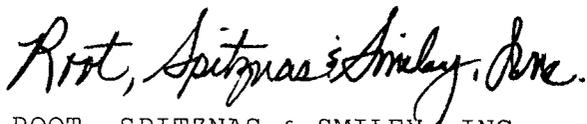
Proprietor
JRM Securities

We have audited the accompanying statement of financial condition of JRM Securities as of December 31, 2011, and the related statements of income, changes in proprietor's capital 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 Proprietorship. Our responsibility is to express an opinion on these financial statements 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 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 the Proprietor, 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 statements referred to above present fairly, in all material respects, the financial position of JRM Securities as of December 31, 2011 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedules on page 9 through 12 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 and 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.



ROOT, SPITZNAS & SMILEY, INC.
January 24, 2012

FINANCIAL STATEMENTS

JRM SECURITIES
STATEMENT OF FINANCIAL CONDITION
December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$48,248
Accounts receivable	1,665
Office equipment, net of accumulated depreciation of \$2,151	<u>1,263</u>
Total assets	<u>\$51,176</u>

LIABILITIES

Accounts payable	<u>\$ 129</u>
Total liabilities	129

PROPRIETOR'S CAPITAL

Proprietor's capital	<u>51,047</u>
	<u>\$51,176</u>

The accompanying notes are an integral part of these statements.

JRM SECURITIES
STATEMENT OF INCOME

Year ended December 31, 2011

Revenue	
Commissions	\$14,376
Interest income	<u>110</u>
Total revenue	<u>14,486</u>
Operating expenses	
Regulatory fees	1,614
Office expenses	1,341
Real estate taxes	1,664
Utilities	1,774
Telephone	2,078
Professional fees	2,350
Depreciation	<u>340</u>
Total operating expenses	<u>11,161</u>
Income before income taxes	3,325
Income taxes	<u>-</u>
NET INCOME	<u><u>\$ 3,325</u></u>

The accompanying notes are an integral part of these statements.

JRM SECURITIES

STATEMENT OF CHANGES IN PROPRIETOR'S CAPITAL

Year ended December 31, 2011

Balance at January 1, 2011	\$51,372
Net income	3,325
Withdrawals by owner	(<u>3,650</u>)
Balance at December 31, 2011	<u>\$51,047</u>

The accompanying notes are an integral part of these statements.

JRM SECURITIES

STATEMENT OF CASH FLOWS

Year ended December 31, 2011

Cash flows from operating activities:	
Net income	\$ 3,325
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	340
Change in assets and liabilities:	
Increase in accounts receivable	(125)
Decrease in accounts payable	(1)
Net cash provided by operating activities	<u>3,539</u>
Cash flows from investing activities:	
Withdrawals by owner	(<u>3,650</u>)
Net cash used in investing activities	(<u>3,650</u>)
Net decrease in cash	(111)
Cash at beginning of year	<u>48,359</u>
Cash at end of year	<u><u>\$48,248</u></u>
 <u>Cash paid during the year for:</u>	
Interest	\$ -
Income taxes	\$ -

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Operations

The Proprietorship is a FINRA registered broker/dealer located in Erie, Pennsylvania whose business activities relate to the offer and sale of mutual funds to clients primarily in Northwestern Pennsylvania.

2. Estimates in Financial Statements

In preparing financial statements in conformity with U.S. generally accepted accounting principles, the Proprietorship makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Income Taxes

The Proprietorship itself is not a tax paying entity for purposes of federal and state income taxes. Federal and state income taxes of the Proprietor are completed on his total income from all sources; accordingly, no provision for income taxes is made in these statements.

The Proprietorship abides by the provisions of FASB ASC 740, Income Taxes. FASB ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in a tax return. The Proprietorship records any related interest expense and penalties, if any, as a tax expense. For the year ended December 31, 2011, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2007 and forward.

4. Concentration of Credit Risk

The Proprietorship maintains cash balances in one financial institution located in Erie, Pennsylvania. The Proprietorship's balance does not exceed the federally insured maximum of \$250,000, has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Proprietorship's accounts receivable consist of commissions and trails revenue from various investment companies. The Proprietor closely monitors outstanding balances, collection losses have been historically immaterial and the Proprietor is not aware of any customer disputes or financial difficulties.

5. Cash Equivalents

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

JRM SECURITIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Office Equipment and Related Depreciation

The Proprietorship depreciates its office equipment by use of the straight line method at rates sufficient to write off the cost of such assets over their estimated useful lives. Maintenance and repairs are charged to expense as incurred; renewals and betterments are capitalized.

7. Date of Management's Review

The Proprietor has evaluated subsequent events through January 24, 2012, the date the financial statements were available to be issued.

NOTE B - NET CAPITAL REQUIREMENTS

The Proprietorship is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2011, the Proprietorship had net capital of \$49,784, which was \$44,784 in excess of its required net capital of \$5,000. The Proprietorship's net capital ratio was .003 to 1.

SUPPLEMENTAL INFORMATION

JRM SECURITIES

COMPUTATION OF NET CAPITAL

Year ended December 31, 2011

COMPUTATION OF NET CAPITAL

Total proprietorship's capital	\$51,047
Less proprietorship's capital not allowable	<u>-</u>
Total proprietorship's capital qualified for Net Capital	51,047
Additions	<u>-</u>
Total capital and allowable subordinate liabilities	51,047
Deductions and/or charges:	
Total nonallowable assets	(1,263)
Other additions and/or credits	<u>-</u>
Net capital before haircuts on securities positions	49,784
Haircuts on securities	<u>-</u>
Net Capital	<u>\$49,784</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities	\$ 129
Additions	<u>-</u>
Total aggregate indebtedness	<u>\$ 129</u>
Percentage of aggregate indebtedness to net capital	<u>.26%</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	<u>\$ 9</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 5,000</u>
Excess net capital	<u>\$44,784</u>
Excess net capital at 120%	<u>\$43,784</u>

No material differences exist between the above computations and those reported on the unaudited FOCUS report.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3

Year ended December 31, 2011

This schedule is not applicable for JRM Securities as it claims a K(1) exemption.

INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3

Year ended December 31, 2011

This schedule is not applicable for JRM Securities as it claims a K(1) exemption.

RECONCILIATION OF THE COMPUTATION OF NET CAPITAL AND
THE COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS UNDER RULE 15c3-3

Year ended December 31, 2011

This schedule is not applicable for JRM Securities as it claims a K(1) exemption.

Root, Spitznas & Smiley, Inc.

Certified Public Accountants

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Michael N. Barko, CPA
J. Randolph Gehrlein, CPA
James T. Scavona, CPA

Independent Auditor's Report on Internal Control Structure

Proprietor
JRM Securities

In planning and performing our audit of the financial statements and supplemental schedules of JRM Securities, as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the Proprietorship's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Proprietorship's internal control. Accordingly, we do not express an opinion on the effectiveness of the Proprietorship's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Proprietorship including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we 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 Proprietorship does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Proprietorship in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13.
2. 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 Proprietor of the Proprietorship 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 the Proprietor 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 previously mentioned objectives.

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

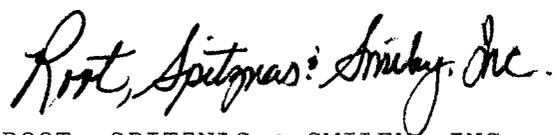
A *control deficiency* exists when the design or operation of a control does not allow the Proprietor or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Proprietorship's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

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 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 Proprietorship's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Proprietor, management, the SEC, FINRA, 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.



ROOT, SPITZNAS & SMILEY, INC.
January 24, 2012