

SECURIT

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

SEC FILE NUMBER
8- 68503

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 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FIRST SOUTHERN SECURITIES, LLC

OFFICIAL USE ONLY
_____
FIRM I.D. NO.

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

1720 WINDWARD CONCOURSE, SUITE 115

(No. and Street)

ALPHARETTA

GA

30005

(City)

(State)

(Zip Code)

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

HEATH HAWK

770-777-9373 X103

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

WADE J. BOWDEN & COMPANY, CPAS P.C.

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

1720 EPPS BRIDGE PAKWAY, SUITE 108-381

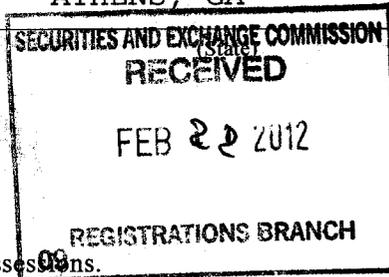
ATHENS, GA

30606

(Address)

(City)

(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)

SEC 1410 (06-02)

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01/22/12

## OATH OR AFFIRMATION

I, \_\_\_\_\_, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of  
**FIRST SOUTHERN SECURITIES, LLC**, 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:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
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 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).**

**FIRST SOUTHERN SECURITIES, LLC**

FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER, 31 2011  
AND INDEPENDENT AUDITORS' REPORT

***Wade J. Bowden & Company CPAs, P.C.***

# **FIRST SOUTHERN SECURITIES, LLC**

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**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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To the Members  
First Southern Securities, LLC

We have audited the statement of financial condition of First Southern Securities, LLC as of December 31, 2011 and the related statements of operations, changes in member's 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. 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 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 statements referred to above present fairly, in all material respects, the financial position of First Southern Securities, LLC as of December 31, 2011 and the results of its operations and its cash flows for the year 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 supplementary schedule 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.

*Wade J Bowden & Company*

Atlanta, Georgia  
February 2, 2012

# **FIRST SOUTHERN SECURITIES, LLC**

## **STATEMENT OF FINANCIAL CONDITION December 31, 2011**

### **ASSETS**

<b>CURRENT ASSETS:</b>	
Cash	\$ 17,069
Deposits with clearing organization	270,000
Receivable from clearing organization	83,010
Securities owned, at fair value	557,295
Prepaid expenses	20,022
Due from employees	6,391
Total current assets	<b>953,787</b>
<b>FURNITURE AND EQUIPMENT</b>	18,102
Less accumulated depreciation	(904)
Furniture and equipment - net	<b>17,198</b>
<b>OTHER ASSET: Deposit</b>	<b>6,339</b>
<b>TOTAL</b>	<b>\$ 977,324</b>

### **LIABILITIES AND MEMBERS' EQUITY**

<b>CURRENT LIABILITIES:</b>	
Payable to clearing organization - margin	\$ 579,275
Accounts payable and accrued expenses	7,152
Commissions payable	12,885
Total current liabilities	<b>599,312</b>
<b>LONG-TERM LIABILITY: Deferred rent</b>	<b>6,580</b>
<b>TOTAL LIABILITIES</b>	<b>605,892</b>
<b>MEMBERS' EQUITY</b>	371,432
<b>TOTAL</b>	<b>\$ 977,324</b>

See Independent Auditors' Report and  
Notes to Financial Statements.

# FIRST SOUTHERN SECURITIES, LLC

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011

<b>REVENUES:</b>	
Trading gains - net	\$ 485,907
Commissions	286,064
Interest income - trading	35,510
Total revenues	<b>807,481</b>
<b>OPERATING EXPENSES:</b>	
Guaranteed payments	313,000
Commissions	104,090
Clearing	82,058
Research	34,736
Professional fees	26,101
Compliance	20,571
Salaries and benefits	18,077
Rent	11,217
Interest expense	10,573
Telephone	7,791
Advertising	7,293
Meals and entertainment	6,134
Travel	5,843
Computer and internet	5,028
Utilities	4,227
Office	4,205
Cancels and corrections	2,570
Printing and reproduction	2,290
Insurance	1,687
Postage and delivery	1,464
Dues and subscriptions	1,268
Depreciation	904
Continuing education	642
Licenses and permits	389
Bank charges	286
Charitable contributions	200
Total expenses	<b>672,644</b>
<b>NET INCOME</b>	<b>\$ 134,837</b>

See Independent Auditors' Report and  
Notes to Financial Statements.

# FIRST SOUTHERN SECURITIES, LLC

## STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

<b>MEMBERS' EQUITY, JANUARY 1</b>	\$	236,595
Net income		134,837
<b>MEMBERS' EQUITY, DECEMBER 31</b>	<b>\$</b>	<b>371,432</b>

See Independent Auditors' Report and  
Notes to Financial Statements.

# FIRST SOUTHERN SECURITIES, LLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

### OPERATING ACTIVITIES:

Net income	\$	134,837
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation		904
(Increase) decrease in:		
Deposits with clearing organization		(69,000)
Securities owned, at fair value		1,335
Receivable from clearing organization		(50,141)
Prepaid expenses		(10,931)
Due from employees		(6,391)
Deposit		(6,339)
Increase in:		
Accounts payable and accrued expenses		2,202
Commissions payable		9,697
Payable to clearing organization - margin		8,192
Deferred rent		6,580
Net cash provided by operating activities		20,945

**INVESTING ACTIVITY:** Purchase of furniture and equipment (18,102)

**NET INCREASE IN CASH** \$ 2,843

**CASH AT BEGINNING OF YEAR** 14,226

**CASH AT END OF YEAR** \$ 17,069

### SUPPLEMENTAL CASH FLOWS DISCLOSURES:

Interest payments \$ 10,573

See Independent Auditors' Report and  
Notes to Financial Statements.

# **FIRST SOUTHERN SECURITIES, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Organization and Nature of Business

First Southern Securities, LLC (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and FINRA. The Company was organized as a Georgia limited liability company (LLC) on January 29, 2010.

Since the Company is a limited liability company, the members are not liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort or otherwise, unless the members have signed a specific guarantee.

#### Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services.

#### Income Taxes

The Company is a limited liability company for income tax reporting purposes, and as such, is not subject to income tax. Accordingly, no provision for income taxes is provided in the financial statements.

#### Estimates

The presentation of financial statements in conformity with U.S. 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.

#### Securities Transactions

Securities transactions and the related commission revenues and clearing expenses are recorded on a settlement-date basis. Profit or loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a settlement-date basis. Transactions recorded on a settlement-date were not materially different from the trade-date basis.

#### Commissions

Commission revenue is derived by the Company acting as an agent buying and selling securities on behalf of its customers.

#### Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of three to seven years.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Advertising Costs

Advertising costs, if any, are charged to expenses as incurred. The Company incurred \$7,293 in advertising costs for the year ended December 31, 2011.

Cash Equivalents

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months, that are not held for sale in the ordinary course of business.

Concentration of Credit Risk

The Company is engaged in various trading and brokerage 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.

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash.

**2. DEPOSIT WITH CLEARING ORGANIZATION**

The Company clears its proprietary transactions through a broker-dealer independent of the Company. The amount deposited with the clearing organization under agreements for proprietary accounts of introducing brokers as of December 31, 2011 is \$270,000 and is reflected on the accompanying Statement of Financial Condition.

**3. RECEIVABLE FROM CLEARING ORGANIZATION**

Receivable from clearing organization consists primarily of net commissions due from customer transactions and net realized gains from proprietary transactions for the month ended December 2011. Receivable from clearing organization as of December 31, 2011 was \$83,010 and is reflected on the accompanying Statement of Financial Condition.

**4. SECURITIES OWNED**

Securities owned consist of securities held for trading purposes. Securities that are marketable are stated at fair value and securities not readily marketable, if any, are carried at fair value as determined by management. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations. Net realized and unrealized gain (loss) on trading securities is reported on the accompanying Statement of Operations. The unrealized loss that relates to trading securities held as of December 31, 2011 is \$9,528.

**5. FAIR VALUE MEASUREMENTS**

As defined in Accounting Standards Codification 820 Fair Value Measurements (ASC 820), fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date (an exit price methodology). ASC 820 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Financial instruments are considered Level 1 when their values are determined using quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1, such as quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

The following table sets forth the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011:

<b>Description</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Securities owned:				
State and municipal obligations	\$557,295	\$ -	\$557,295	\$ -
<b>Total</b>	<b>\$557,295</b>	<b>\$ -</b>	<b>\$557,295</b>	<b>\$ -</b>

**6. PAYABLE TO CLEARING ORGANIZATION**

Amounts payable to clearing organization as of December 31, 2011 is \$579,275 and is reflected on the Statement of Financial Condition. The Company clears its customer and proprietary transactions through a broker-dealer independent of the Company on a fully disclosed basis. The amount payable relates to the aforementioned transactions and is collateralized by securities owned by the Company.

**7. COMMITMENTS AND CONTINGENCIES**

Lease

The Company has an obligation under an operating lease with initial non-cancelable terms in excess of one year. Aggregate annual rentals for office space at December 31, 2011 are as listed below:

Year Ending December 31:		
2012	\$	19,017
2013		38,985
2014		39,957
2015		40,950
2016		41,985
2017		21,521
	\$	202,415

Rent expense for the year ended December 31, 2011 was \$11,217 and is shown on the accompanying Statement of Operations.

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly executed transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However the Company believes that it is unlikely that it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

**8. RELATED PARTY TRANSACTIONS**

The Company's members received compensation of \$313,000 for the year ended December 31, 2011, this amount is reflected as guaranteed payments on the accompanying Statement of Operations.

**9. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2011, the Company had net capital of \$303,659, which was \$203,659 in excess of its required net capital of \$100,000. The Company's percentage of aggregate indebtedness to net capital was 199.53%.

**10. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

The Company is exempt from the provisions of Rule 15c3-3 under the Security Exchange Act of 1934 pursuant to paragraph (k)(2)(ii) of the rule. All customer securities transactions are cleared through another broker-dealer on a fully disclosed basis.

**11. INFORMATION RELATING TO THE POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND  
EXCHANGE COMMISSION**

The Company is exempt from the provisions of Rule 15c3-3 under the Security Exchange Act of 1934 pursuant to paragraph (k)(2)(ii) of the rule. The Company did not maintain possession or control of any customer funds or securities.

# FIRST SOUTHERN SECURITIES, LLC

## COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF DECEMBER 31, 2011

<b>SCHEDULE 1</b>	
<b>TOTAL MEMBERS' EQUITY QUALIFIED FOR NET CAPITAL</b>	<b>\$ 371,432</b>
<b>DEDUCTIONS AND/OR CHARGES:</b>	
Non-allowable assets:	
Prepaid expenses	(20,022)
Due from employees	(6,391)
Furniture and equipment - net	(17,198)
Deposit	(6,339)
Other deductions - Mark-to-market adjustment 15c3-1(f) securities	(5,861) (11,962)
<b>NET CAPITAL</b>	<b>\$ 303,659</b>
<b>AGGREGATE INDEBTEDNESS:</b>	
Payable to clearing organization - margin	579,275
Accounts payable and accrued expenses	7,152
Commissions payable	12,885
Deferred rent	6,580
Total aggregate indebtedness	<b>\$ 605,892</b>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT -</b>	
Minimum net capital required	<b>\$ 100,000</b>
Excess net capital	<b>\$ 203,659</b>
Excess net capital at 1,000 percent	<b>\$ 183,659</b>
Percentage of aggregate indebtedness to net capital	<b>199.53%</b>

There is no difference in the above computation and the Company's net capital, as reported in the Company's Part II (unaudited) FOCUS report as of December 31, 2011.

See Independent Auditors' Report

**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT ACCOUNTANTS' REPORT**

**REQUIRED BY  
SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5(e)(4)  
AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S  
SIPC ASSESSMENT RECONCILIATION**

To the Members  
First Southern Securities, LLC

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 Form SIPC-7 - pages 14 and 15 - to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by First Southern Securities, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the SIPC, solely to assist you and the other specified parties in evaluating First Southern Securities, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). First Southern Securities, LLC's management is responsible for the First Southern Securities, LLC'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, 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 we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries in the general ledger noting no differences.
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011 noting no differences.
3. Compared 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.
5. There was no application of overpayment, thus, no difference between the current assessment and the original computation.

See Independent Auditors' Report and  
Notes to Financial Statements

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1720 EPPS BRIDGE PARKWAY, SUITE 108-381  
ATHENS, GEORGIA 30606  
PH 770-500-9798  
FAX 678-868-1411  
[WBOWDEN@VOLCPA.COM](mailto:WBOWDEN@VOLCPA.COM)

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 specific parties.

*Wade J. Bauder Company*

Atlanta, Georgia  
February 2, 2012

**SIPC-7**

(33-REV 7/10)

**SECURITIES INVESTOR PROTECTION CORPORATION**  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended \_\_\_\_\_, 20\_\_

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

068503 FINRA DEC  
FIRST SOUTHERN SECURITIES LLC 16\*16  
1091 CAMBRIDGE SQ STE D  
ALPHARETTA GA 30009-1896

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (Item 2e from page 2)	\$ <u>1,866.00</u>
B. Less payment made with SIPC-6 filed (exclude interest)	( <u>1,115.00</u> )
<u>July 2011</u> Date Paid	
C. Less prior overpayment applied	( _____ )
D. Assessment balance due or (overpayment)	<u>751.00</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	_____
F. Total assessment balance and interest due (or overpayment carried forward)	\$ _____
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$ <u>751.00</u>
H. Overpayment carried forward	\$( _____ )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

First Southern Securities LLC  
(Name of Corporation, Partnership or other organization)

[Signature]  
(Authorized Signature)

Dated the 2 day of February, 20 12.

CEO/President  
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates: \_\_\_\_\_  
 Postmarked \_\_\_\_\_ Received \_\_\_\_\_ Reviewed \_\_\_\_\_  
 Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_  
 Exceptions: \_\_\_\_\_  
 Disposition of exceptions: \_\_\_\_\_

# DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning \_\_\_\_\_, 20\_\_\_\_  
and ending \_\_\_\_\_, 20\_\_\_\_

Eliminate cents

Item No.

a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 807,482.00

b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

(2) Net loss from principal transactions in securities in trading accounts.

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

Total additions

c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from 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.

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

(8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

50,558.00

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 10,573.00

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

61,131.00

d. SIPC Net Operating Revenues

\$ 746,351.00

e. General Assessment @ .0025

\$ 1,866.00

(to page 1, line 2.A.)

# **WADE J BOWDEN & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **REPORT ON INTERNAL CONTROL**

**REQUIRED BY  
SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM  
(SEC) RULE 15C3-3**

To the Members  
First Southern Securities, LLC

In planning and performing our audit of the financial statements and supplementary schedule of First Southern Securities, LLC (the "Company"), as of and for the year ended December 31, 2011, we considered its internal control, including control activities for safeguarding securities, 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.

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 Company, including 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 (or aggregate debits) 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, we 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 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

See Independent Auditors' Report and  
Notes to Financial Statements

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Because of inherent limitations in any 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 the effectiveness of their design and operation may deteriorate.

Our consideration of the 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, we noted no matters involving the internal control, including control activities for safeguarding securities that we consider to be material weakness 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 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 as of December 31, 2011 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of the Company to achieve all the division of duties and cross-checks generally included in a system of internal accounting control, and that alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Members, management, the SEC, 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 used by anyone other than these specified parties.

*Wade J. Bauder & Company*

Atlanta, Georgia  
February 2, 2012