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

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

SEC FILE NUMBER  
8- 29681

**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: SRM SECURITIES, INC. ✓

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1875 CENTURY PARK EAST, SUITE 880 ✓

(No. and Street)

LOS ANGELES  
(City)

CALIFORNIA  
(State)

90067  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
PAUL SOLL 310/551-1624

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

GOODRICH, BARON, GOODYEAR, LLP

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

6700 E. PACIFIC COAST HWY., #255, LONG BEACH, CA 90803

(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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**FOR OFFICIAL USE ONLY**

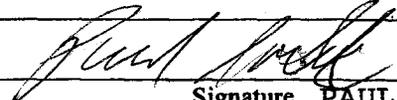
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Handwritten signature/initials

OATH OR AFFIRMATION

I, PAUL SOLL, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SRM SECURITIES, INC., as of DECEMBER 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:

NONE

  
Signature PAUL SOLL  
PRESIDENT  
Title

SEE ATTACHED.

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~~. **Cash Flows**
- (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) **Independent Auditors' Report on Internal Accounting Control**

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

# CALIFORNIA JURAT WITH AFFIANT STATEMENT

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

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

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of LOS ANGELES

Subscribed and sworn to (or affirmed) before me on this

21ST day of FEBRUARY, 2012, by  
Date Month Year

(1) GREGORY A. GOODYEAR  
Name of Signer

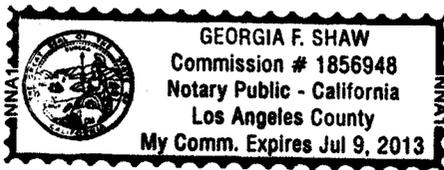
proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) *✓*

(and

(2) \_\_\_\_\_  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature *Georgia F. Shaw*  
Signature of Notary Public  
**GEORGIA F. SHAW**



Place Notary Seal Above

## OPTIONAL

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

### Further Description of Any Attached Document

**SEC ANNUAL AUDITED REPORT**  
Title or Type of Document: FORM X-17 A-5, PART III

Document Date: FEBRUARY 13, 2012 Number of Pages: 13

Signer(s) Other Than Named Above: PAUL SOLL

**RIGHT THUMBPRINT OF SIGNER #1**  
 Top of thumb here

**RIGHT THUMBPRINT OF SIGNER #2**  
 Top of thumb here

**SRM SECURITIES, INC.**

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**FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2011

(With Independent Auditors' Report Thereon)



GOODRICH • BARON • GOODYEAR LLP  
Certified Public Accountants

**SRM SECURITIES, INC.**

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**FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2011

(With Independent Auditors' Report Thereon)

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# GOODRICH·BARON·GOODYEAR LLP

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
SRM Securities, Inc.  
Los Angeles, California

We have audited the accompanying statement of financial condition of SRM Securities, Inc. as of December 31, 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that are filed 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 SRM Securities, Inc. 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 on pages 11-14 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.



Long Beach, California  
February 13, 2012

**SRM SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**

DECEMBER 31, 2011

ASSETS

Cash - operating account	\$ <u>19,424</u>
Total cash	19,424
Due from broker	1,204,934
Commissions receivable	32,043
Other receivable	10,000
Trading securities - long	105,877
Property and equipment, at cost, less \$300,875 of accumulated depreciation	3,277
Other assets	<u>27,241</u>
Total assets	\$ <u>1,402,796</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Due to broker	\$ 3,238	
Accounts payable and accrued expenses	1,060,353	
Income taxes payable	1,001	
Note payable	<u>92,868</u>	
Total liabilities		1,157,460
Commitments		-
Stockholders' equity:		
Common stock, no par value; 20,000 shares authorized; 3,000 shares issued and outstanding	\$ 20,000	
Retained earnings	<u>225,336</u>	
Total stockholders' equity		<u>245,336</u>
Total liabilities and stockholders' equity		\$ <u>1,402,796</u>

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

**SRM SECURITIES, INC.**  
**STATEMENT OF INCOME**

YEAR ENDED DECEMBER 31, 2011

Revenues:		
Commissions		\$ 1,020,157
Trading gains and losses		83,577
Interest and dividends		6,997
Other income		<u>143,418</u>
Total revenues		1,254,149
Expenses:		
Officers' salaries	\$	179,240
Commissions		195,483
Employee compensation		320,291
Occupancy costs		88,848
Insurance		62,694
News and quotations service		56,031
Office supplies		86,612
Other operating expenses		84,969
Payroll taxes		39,775
Telephone		11,128
Professional fees		35,047
Parking		15,924
Taxes and licenses		16,460
Other commissions and fees expenses		10,827
Automobile expense		23,537
Travel		2,709
Depreciation		<u>3,548</u>
Total expenses		<u>1,233,123</u>
Income before income taxes		21,026
Income taxes		<u>5,000</u>
Net income		<u>\$ 16,026</u>

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

**SRM SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

YEAR ENDED DECEMBER 31, 2011

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, beginning of year	\$ 30,000	330,752	360,752
Net income	-	16,026	16,026
Buy/sell of shareholder stock	(10,000)	(101,442)	(111,442)
Dividends paid	-	(20,000)	(20,000)
Balance, at end of year	<u>\$ 20,000</u>	<u>225,336</u>	<u>245,336</u>

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

**SRM SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

Cash flows from operating activities:		
Net income		\$ 16,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 3,548	
(Increase) decrease in:		
Due from broker	(93,849)	
Commissions receivable	72,740	
Other receivable	14,303	
Trading securities - long	16,982	
Other assets	(7,640)	
Increase (decrease) in:		
Due to broker	3,020	
Accounts payable and accrued expenses	59,332	
Trading securities - short	(9,730)	
Income taxes payable	<u>(16,734)</u>	
Total adjustments		<u>41,972</u>
Net cash flows provided by operating activities		57,998
Cash flows from investing activities		-
Cash flows from financing activities:		
Installment payment of note	(18,574)	
Dividends paid	<u>(20,000)</u>	
Net cash flows used for financing activities		<u>(38,574)</u>
Net increase in cash		19,424
Cash, beginning of year		<u>-</u>
Cash, end of year		<u>\$ 19,424</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest		<u>\$ 143</u>
Income taxes		<u>\$ 21,328</u>

SCHEDULE OF NON-CASH FINANCING ACTIVITIES

Note payable incurred from buy/sell of shareholder stock	<u>\$ 111,442</u>
----------------------------------------------------------	-------------------

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

**SRM SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

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

**Nature of Operations**

SRM Securities, Inc. (the Company) is engaged in a single line of business as a securities broker/dealer which comprises several classes of services, including principal transactions, agency transactions, and investment advisory. The Company produces revenue by clearing those transactions on behalf of their customers through a clearing broker/dealer and charging commissions for those services. The Company was incorporated in California on April 29, 1983 as a C corporation. The Company's customers are primarily individuals located throughout Southern California.

The Company operates under the provisions of paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

**Securities Transactions**

Securities transactions, commission revenue and related expenses are recorded on a trade date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition as due from broker.

Firm trading securities held for resale including securities owned, and securities sold and not yet purchased, are valued at market and unrealized gains and losses are reflected in revenues from principal transactions. Unrealized loss of \$49,877 was included in operations for the year ended December 31, 2011.

**Cash Equivalents**

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.

**Fair Value**

As required by the Fair Value Measurements and Disclosures Topic of Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC), the Company is required to use a three-tiered fair value hierarchy in determining the fair value of its marketable securities. FASB ASC defines fair value, thereby eliminating inconsistencies in guidance found in various prior accounting pronouncements, and increases disclosures surrounding fair value calculations. It also establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company at the measurement date.

Level 2 - Valuations based on inputs that are observable in the marketplace other than those inputs classified as Level 1.

Level 3 - Valuations based on inputs that are unobservable in the marketplace and significant to the valuation.

**SRM SECURITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value, continued

FASB ASC also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to their fair value calculation.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided over their estimated useful lives ranging from five to seven years using either the straight-line method or declining balance. Leasehold improvements are amortized using the straight-line method over the term of the lease or estimated useful life, whichever is shorter. Expenditures for maintenance and repairs are charged to operations as incurred. Major renewals and betterments are capitalized.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

On November 9, 2010, the Federal Deposit Insurance Corporation (FDIC) issued a Final Rule that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The Company maintains its cash account at an FDIC-insured financial institution.

The Company also has securities in accounts carried by National Financial Services LLC which are protected in accordance with the Securities Investor Protection Corporation (SIPC) up to \$500,000.

Off-Balance Sheet Risk

The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, receipt, and delivery of securities relative to customer transactions. All customers' securities transactions are fully disclosed by the Company to its clearing broker/dealer. Off-balance sheet risk exists due to the possibility that the customers may fail to meet their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and proper execution of customers' transactions by the clearing broker/dealer.

**SRM SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

DECEMBER 31, 2011

**(2) SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED**

The securities owned and securities sold, not yet purchased at December 31, 2011, consist principally of readily marketable equity securities with a fair value of \$105,877 and a cost totaling \$155,754.

Market value is established using Level 1 valuations in the hierarchy established by FASB ASC as the securities are on national exchanges and the fair value is determined based on published market prices.

**(3) PROPERTY AND EQUIPMENT**

Property and equipment is comprised of:

Office equipment	\$	272,015
Leasehold improvements		<u>32,137</u>
		304,152
Less accumulated depreciation		<u>(300,875)</u>
Net property and equipment	\$	<u>3,277</u>

Depreciation expense for the year ended December 31, 2011, was \$3,548.

**(4) NOTE PAYABLE**

On June 30, 2011, the shareholders of the Company agreed to a buy/sell agreement of all of the shares of common stock held by Graham Rowe, a Company shareholder. Included as part of the consideration of the buy/sell agreement, the Company is to pay Graham Rowe \$111,442, payable in five equal installments of \$18,574 and one final installment payment of \$18,572, payable every four months commencing on November 30, 2011, such payments are personally guaranteed by the remaining shareholders of the Company. The balance of the amount owed to Graham Rowe as of December 31, 2011, totaled \$92,868.

**(5) INCOME TAXES**

Income taxes consist of the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 3,000	2,000	5,000
Deferred	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,000</u>	<u>2,000</u>	<u>5,000</u>

As required by the Income Taxes Topic of FASB ASC, the Company is required to account for deferred taxes using an asset and liability approach in recognizing timing differences. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. The tax effect of timing differences was not material at December 31, 2011.

**SRM SECURITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2011

**(6) RELATED PARTY TRANSACTIONS**

The Company shared office space with and provided certain administrative functions to an affiliated company related by common ownership. Administrative expenses charged to this affiliated company were \$121,103 which is included in "Other income" in the accompanying Statement of Income.

**(7) BUY/SELL AGREEMENT**

Under terms of the Shareholders' Agreement, each shareholder is entitled to the first right of refusal to purchase shares of the Company upon the occurrence of disability, termination, death, and certain events related to other shareholders at an amount based on a mutually-agreed value or arbitration process. See Note 4.

**(8) DEPOSIT HELD IN AN ESCROW ACCOUNT**

A deposit of \$40,000 at December 31, 2011, is held in an escrow account by the Company's clearing agent, National Financial Services LLC (NFS). The Company has no access to the \$40,000 at any time during its contracted period with NFS. The amount that eventually will transfer to the Company will be determined upon the termination of the contract with NFS. As such, the \$40,000 is not reflected in the Company's financial statements.

**(9) OPERATING LEASES**

The Company leases its office space under a non-cancelable operating lease which expires in May 2013.

The remaining minimum future rental payments under the lease agreement as of December 31, 2011, are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2012	\$ 82,164
2013	<u>34,677</u>
Total minimum future rental payments	\$ <u>116,841</u>

Rent expense for the year was \$88,848.

**(10) EXEMPTION**

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission. Therefore, the Company is not required to make the periodic computations of reserve requirements for the exclusive benefit of customers.

**SRM SECURITIES, INC.**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DECEMBER 31, 2011

**(11) SUBSEQUENT EVENTS**

Management has evaluated subsequent events and transactions occurring after year-end through the date that the financial statements were available for issuance which was February 13, 2012. No transactions or events were found that were material enough to require recognition in the financial statements.

**(12) NET CAPITAL**

The Company is subject to a \$100,000 minimum net capital requirement under SEC Rule 15c3-1 which requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis; however, as of December 31, 2011, the net capital ratio was 6.21 to 1 and net capital was \$186,474 which exceeded the required minimum capital by \$86,474.

**SRM SECURITIES, INC.**  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

DECEMBER 31, 2011

Total ownership equity		\$ 245,336
Less non-allowable assets:		
Other receivable	\$ (10,000)	
Property and equipment, net	(3,277)	
Other assets	<u>(27,241)</u>	
		<u>(40,518)</u>
Net capital before haircut		204,818
Haircut:		
Trading securities (15% of \$105,877)	(15,882)	
Undue concentration	<u>(2,462)</u>	
		<u>(18,344)</u>
Net capital		<u>\$ 186,474</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of aggregate indebtedness)	\$ <u>77,164</u>
Minimum dollar net capital required	\$ <u>100,000</u>
Net capital requirement (greater of above two figures)	\$ <u>100,000</u>
Excess net capital	\$ <u>86,474</u>

COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness	\$ <u>1,157,460</u>
Ratio of aggregate indebtedness to net capital	<u>6.21 to 1</u>
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	<u>N/A</u>

**SRM SECURITIES, INC.**  
**RECONCILIATION OF NET CAPITAL**

DECEMBER 31, 2011

Net capital per original unaudited Focus Report Part IIA		\$ 384,105
Adjustments:		
Income taxes receivable	\$ 4,064	
Wages payable	(179,240)	
Payroll taxes payable	(14,993)	
Income taxes payable	(5,000)	
Undue concentration	<u>(2,462)</u>	
		<u>(197,631)</u>
Net capital as reported in audited financial statements		<u>\$ 186,474</u>

The computation of net capital as reported in the unaudited Part IIA filing differs from the audited net capital for the reasons noted above. While such differences are material, the Company is in compliance with the minimum net capital requirement.

**SRM SECURITIES, INC.**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**PURSUANT TO RULE 15c3-3**

DECEMBER 31, 2011

Not Applicable - The Company is exempt pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities.

**SRM SECURITIES, INC.**  
INFORMATION RELATING TO THE POSSESSION  
OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3

DECEMBER 31, 2011

Not Applicable - The Company is exempt pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities.

# GOODRICH·BARON·GOODYEAR LLP

*Certified Public Accountants*

## REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

The Board of Directors  
SRM Securities, Inc.  
Los Angeles, California

In planning and performing our audit of the financial statements of SRM Securities, Inc. (the Company), 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 Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company 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 (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 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 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 previously 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 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a 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 Company'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 Company'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 Board of Directors, 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 and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Goodrich Bacon Gooden, CPA". The signature is written in black ink and is positioned centrally on the page.

Long Beach, California  
February 13, 2012

# GOODRICH·BARON·GOODYEAR LLP

*Certified Public Accountants*

The Board of Directors  
SRM Securities, Inc.  
Los Angeles, CA 90067

Dear Board Members:

In accordance with Rule 17a-5(e)(4) of the Securities and Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by SRM Securities, 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 SRM Securities, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). SRM Securities, Inc.'s management is responsible for the SRM Securities, Inc.'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, noting no differences;
2. Compared 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 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 the adjustments, noting no 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.



Long Beach, California  
February 23, 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:

029681 FINRA DEC  
SRM SECURITIES INCORPORATED 22\*22  
1875 CENTURY PARK E STE 800  
LOS ANGELES CA 90067-2509

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 2c from page 2) \$ 2621
- B. Less payment made with SIPC-6 filed (exclude interest) (\_\_\_\_\_)
- \_\_\_\_\_ Date Paid
- C. Less prior overpayment applied (\_\_\_\_\_)
- D. Assessment balance due or (overpayment) \_\_\_\_\_
- 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) \$ 2621
- G. PAID WITH THIS FORM:  
    Check enclosed, payable to SIPC  
    Total (must be same as F above) \$ 2621
- 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.

SRM Securities Inc.  
(Name of Corporation, Partnership or other organization)  
[Signature]  
(Authorized Signature)  
Paul Soll President  
(Title)

Dated the 23 day of February, 20 12.

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

\$ 12,874,150

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

2b. 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

2c. 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):

205483

(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.

\$ 143

(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)

143

Total deductions

205626

2d. SIPC Net Operating Revenues

\$ 1048524

2e. General Assessment @ .0025

\$ 2621

(to page 1, line 2.A.)