



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



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

SEC FILE NUMBER  
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8-66064

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 1/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **PARITER SECURITIES, LLC**  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**243 Carretera #2**

OFFICIAL USE ONLY  
FIRM I.D. NO.

**Guaynabo, Puerto Rico 00966**  
(City) (State) (Zip Code)

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

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**KEVANE GRANT THORNTON LLP**

**33 BOLIVIA STREET, 4th FLOOR SAN JUAN PR 00917**  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

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

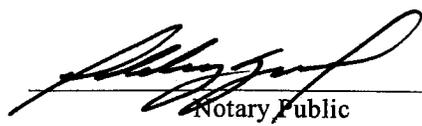
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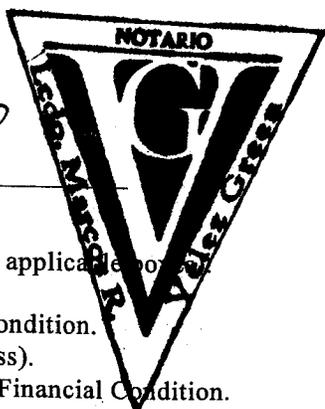
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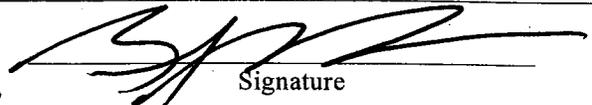
OATH OR AFFIRMATION

I, Braulio Luis Nieves Roman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pariter Securities, LLC., 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:

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

  
Notary Public



  
Signature  
secretary and treasurer  
Title

Sworn and Subscribed to before me by Braulio Luis Nieves Roman, of legal age, single, Secretary and Treasurer of Pariter Securities, LLC, and resident of San Juan PR who I personally know. At Guaynabo PR this 28 day of February, 2012.

- This report \*\* contains (check all applicable items)
- (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).



Kevane

**Grant Thornton**

Financial Statements and Report of  
Independent Certified Public Accountants

**Pariter Securities, LLC**

December 31, 2011 and 2010

# Pariter Securities, LLC

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## Report of Independent Certified Public Accountants

**To the Member and Board of Directors of  
Pariter Securities, LLC:**

**Kevane Grant Thornton LLP**  
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[www.kevane.com](http://www.kevane.com)

We have audited the accompanying balance sheets of **Pariter Securities, LLC** (“the Company”), as of December 31, 2011 and 2010 and the related statements of operations, changes in member’s equity, and cash flows for the years 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 statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Pariter Securities, LLC**, as of December 31, 2011 and 2010 and the results of its operations, changes in its member's equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis, and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the examination of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the accounting records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Juan, Puerto Rico,  
February 27, 2012.

*Kevane Grant Thornton LLP*



# Pariter Securities, LLC

## Balance Sheets

December 31, 2011 and 2010

	<u>Assets</u>	
	<u>2011</u>	<u>2010</u>
<b>Current assets:</b>		
Cash	\$ 167,069	\$ 132,451
Prepayments	6,620	8,861
Other current assets	76	1,117
	<hr/>	<hr/>
Total current assets	173,765	142,429
<b>Property and equipment, net</b>	9,507	4,002
<b>Deposit with clearing house</b>	50,000	50,000
<b>Other receivable</b>	53,820	46,412
<b>Deferred tax asset, net</b>	17,500	20,970
<b>License</b>	50,000	50,000
	<hr/>	<hr/>
Total assets	<u>\$ 354,592</u>	<u>\$ 313,813</u>

### Liabilities and Member's Equity

<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 106,460	\$ 68,960
Due to related parties	1,200	2,687
Other liabilities	689	-
	<hr/>	<hr/>
Total liabilities--all current	108,349	71,647
<b>Member's equity:</b>		
Common stock, \$100 par value, 10,000 shares authorized, 11 shares issued and outstanding	1,100	1,100
Additional paid-in capital	434,736	432,607
Accumulated deficit	(189,593)	(191,541)
	<hr/>	<hr/>
Total member's equity	246,243	242,166
	<hr/>	<hr/>
Total liabilities and member's equity	<u>\$ 354,592</u>	<u>\$ 313,813</u>

The accompanying notes are an integral part of these balance sheets.

# Pariter Securities, LLC

## Statements of Operations Years Ended December 31, 2011 and 2010

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### Revenues:

	<u>2011</u>	<u>2010</u>
Commissions and fees	\$ 1,452,364	\$ 1,193,222
Margin interest income	190,632	120,516
Total revenues	<u>1,642,996</u>	<u>1,313,738</u>

### Operating expenses:

Commissions expense	965,848	909,855
Administrative expenses	412,191	251,060
Clearing fees	150,870	127,627
Management fee	57,867	45,810
Professional services	46,381	70,660
Depreciation expense	1,639	979
Others	2,782	5,970
Total operating expenses	<u>1,637,578</u>	<u>1,411,961</u>

### Operating income (loss) before provision for income tax

5,418	(98,223)
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### Provision for income tax- deferred

<u>(3,470)</u>	<u>(1,430)</u>
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### Net income (loss)

<u>\$ 1,948</u>	<u>\$ (99,653)</u>
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## Pariter Securities, LLC

### Statements of Change in Member's Equity Years Ended December 31, 2011 and 2010

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	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
<b>Balance</b> , December 31, 2009	\$ 1,100	\$ 327,724	\$ (91,888)	\$ 236,936
<b>Capital contributions</b>	-	104,883	-	104,883
<b>Net loss</b>	<u>-</u>	<u>-</u>	<u>(99,653)</u>	<u>(99,653)</u>
<b>Balance</b> , December 31, 2010	1,100	432,607	(191,541)	242,166
<b>Capital contributions</b>	-	2,129	-	2,129
<b>Net income</b>	<u>-</u>	<u>-</u>	<u>1,948</u>	<u>1,948</u>
<b>Balance</b> , December 31, 2011	<u>\$ 1,100</u>	<u>\$ 434,736</u>	<u>\$ (189,593)</u>	<u>\$ 246,243</u>

# Pariter Securities, LLC

## Statements of Cash Flow Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and others	\$ 1,635,588	\$ 1,303,712
Cash paid to suppliers	<u>(1,594,468)</u>	<u>(1,394,091)</u>
Net cash provided by (used in) operating activities	<u>41,120</u>	<u>(90,379)</u>
<b>Cash flows used in investing activities-</b>		
Payments for the acquisition of property and equipment	<u>(7,144)</u>	<u>(914)</u>
<b>Cash flows from financing activities:</b>		
Additional capital contributions from member	2,129	104,883
(Advances to) repayments from related parties	<u>(1,487)</u>	<u>39,243</u>
Net cash provided by financing activities	<u>642</u>	<u>144,126</u>
<b>Net increase in cash</b>	34,618	52,833
<b>Cash, beginning of year</b>	<u>132,451</u>	<u>79,618</u>
<b>Cash, end of year</b>	<u><u>\$ 167,069</u></u>	<u><u>\$ 132,451</u></u>
<b>Reconciliation of net income (loss) to net cash provided by (used in) operating activities:</b>		
Net income (loss)	<u>\$ 1,948</u>	<u>\$ (99,653)</u>
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities-		
Income tax expense- deferred	3,470	1,430
Depreciation expense	1,639	979
Changes in assets and liabilities-		
Increase in commissions receivable	(7,408)	(10,026)
Decrease (increase) in prepayments	2,241	(251)
Decrease in other assets	1,041	32
Increase accounts payable and accrued expenses	37,500	17,353
Increase (decrease) in other liabilities	<u>689</u>	<u>(243)</u>
Total adjustments	<u>39,172</u>	<u>9,274</u>
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ 41,120</u></u>	<u><u>\$ (90,379)</u></u>

The accompanying notes are an integral part of these statements.

# Pariter Securities, LLC

Notes to financial statements  
December 31, 2011 and 2010

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## (1) Organization and summary of significant accounting policies:

### Organization-

Pariter Securities, LLC (“the Company”) is a corporation organized under the laws of the Commonwealth of Puerto Rico on March 11, 2008 and is primarily engaged in rendering brokering services as an introducing broker. The Company does not carry securities accounts for customers nor does it render custodial functions of customer securities. Orders are received from customers and placed via National Financial Services LLC, a correspondent U.S. based firm who maintains all accounts for the customers.

### Summary of significant accounting policies-

#### (a) Basis of presentation-

The Company’s fiscal year ends on December 31<sup>st</sup> of each year. All references to years in these notes to financial statements represent calendar years then ended, unless otherwise noted. The Company has evaluated subsequent events through February 27, 2012, the date the financial statements were available to be issued.

#### (b) Revenue recognition-

Commission revenues are recorded on a settlement date basis. Other revenues are recorded following the accrual basis of accounting.

#### (c) Concentration of credit risk-

Financial instruments that potentially expose the Company to concentration of credit risk include bank accounts and money market accounts. The Company maintains these accounts at reputable financial institutions. While the Company attempts to limit any financial exposure, its deposit balances may, at times, exceed federally insured limits. The Company has not experienced any losses on such accounts.

#### (d) Property and equipment-

Property and equipment is recorded at cost. Depreciation is provided under the straight-line method over the following estimated useful lives. Maintenance and repairs are charged to operations when incurred. Betterments and renewals which substantially increase the life of individual assets are capitalized.

<u>Property category</u>	<u>Estimated useful lives</u>
Computers and other office equipment	3 - 6 years

# Pariter Securities, LLC

## Notes to financial statements December 31, 2011 and 2010

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(e) **Long-lived assets-**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability of assets to be held and used (the fair value) is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair market value less costs to sell.

(f) **License-**

A broker dealer license was recorded at its fair market value. The license provides the Company with rights to operate as a broker dealer as an introducing broker dealer. The Company has determined that there are currently no legal, regulatory contractual, competitive, economic or other factors that limit the useful life of its broker dealer license. As a result, the license will be treated as an indefinite-lived intangible asset under the provisions of the accounting guidance related to *Intangible Assets* and will not be amortized but rather will be tested for impairment annually when events and circumstances warrant.

(g) **Income taxes-**

Income taxes are accounted for using the asset and liability method under which deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and operating loss carry forwards. The effect of deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. Management provides a valuation allowance against the deferred tax assets for amounts which are not considered "more likely than not" to be realized.

The Company adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

(h) **Use of estimates-**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Pariter Securities, LLC

## Notes to financial statements December 31, 2011 and 2010

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### (2) Net capital requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c 3-1), 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. Furthermore, equity capital may not be withdrawn as cash dividends paid under certain conditions.

At December 31, 2011 and 2010 the Company had the following net capital figures (see related Schedule I):

<u>Year</u>	<u>Capital Ratio</u>	<u>Required Net Capital</u>	<u>Net Capital</u>	<u>Excess Net Capital Amount</u>
2011	1.00 to 1	\$ 7,223	\$ 108,720	\$ 101,497
2010	0.65 to 1	\$ 5,000	\$ 110,859	\$ 105,859

### (3) Deposit with Clearing House:

This constant deposit is a requirement of National Financial Services LLC (NFS), the US based entity providing clearing and custodial services for the Company and which maintains all customer accounts. The amount of the deposit was in turn invested by NFS.

### (4) Related party transactions:

During 2011 and 2010, the Company engaged in transactions with related companies in which its member has a substantial investment. The transactions are mostly related to management fees. Amounts due to/from at year-end are non-interest bearing and have no specific repayment terms.

	<u>2011</u>	<u>2010</u>
Due to affiliates	\$ 1,200	\$ 2,687
Management fees expense	\$ 57,867	\$ 45,810

### (5) Income taxes:

The Company calculates its income tax provision on its pre-tax accounting income at statutory rates after taking into consideration any permanent (non deductible) or temporary differences. The Company's taxable income for the years ending on and after December 31, 2011 will be subject to income tax rates at 20% to 30% as provided for, by the Puerto Rico Internal Revenue Code of 2011.

Deferred income taxes are presently provided only for the effect of net operating loss carryforwards on future tax liabilities of the Company.

# Pariter Securities, LLC

## Notes to financial statements December 31, 2011 and 2010

The Company has available net operating losses (NOL) of \$175,452, which may be used to offset future taxable income related to taxable operations, subject to the tax authorities' approval:

<u>Year of</u>			<u>NOL</u>			
<u>Origination</u>	<u>Expiration</u>	<u>Amount</u>	<u>Used</u>	<u>Year</u>	<u>Expired</u>	<u>Available</u>
2008	2018	\$ 21,060	\$ 21,060	2011	\$ -	\$ -
2009	2019	90,438	8,424	2011	-	82,014
2010	2020	93,438	-		-	93,438
		<u>\$ 204,936</u>	<u>\$ 29,484</u>		<u>\$ -</u>	<u>\$ 175,452</u>

As of December 31, 2011 and 2010, the Company's deferred tax asset resulting from the future income tax benefits of the net operating losses, was approximately \$35,000 and \$41,940, respectively, as shown below:

	<u>2011</u>	<u>2010</u>
Deferred tax asset	\$ 35,000	\$ 41,940
Less valuation allowance	<u>(17,500)</u>	<u>(20,970)</u>
Deferred tax asset, net	<u>\$ 17,500</u>	<u>\$ 20,970</u>

Because of the uncertainty as to the realization of the net operating loss tax benefit, an allowance of \$17,500 and \$20,970 (or 50%) has been established as of December 31, 2011 and 2010, respectively.

Deferred income tax expense for the years ended December 31, 2011 and 2010, consisted of the followings:

	<u>2011</u>	<u>2010</u>
Current income tax (expense) benefit	\$ -	\$ -
Deferred taxes:		
Decrease in deferred tax asset	(6,940)	19,540
Change in valuation allowance	<u>3,470</u>	<u>(20,970)</u>
	<u>\$ (3,470)</u>	<u>\$ (1,430)</u>

# Pariter Securities, LLC

## Notes to financial statements December 31, 2011 and 2010

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The Company files income tax returns only in the Commonwealth of Puerto Rico. With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 2008. Tax audits, by their nature, are often complex and can require several years to complete.

The Company adopted the accounting standard on accounting for uncertainty in income taxes. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that required adjustment to the financial statements to comply with the provisions of the accounting standard.

### **(6) Supplementary information:**

The accompanying Schedules I and II have been prepared in accordance with the requirements and general format of FOCUS Form X-17a-5.

Other schedules, such as, Statement of Changes in Liabilities Subordinated to Claims of General Creditors, Determination of Reserve Requirements, Information Relating to Possession or Control Requirements, and Schedule of Segregation Requirements, which are required per SEC Rule 15c3-3 are omitted as being not applicable since, during the years ended December 31, 2011 and 2010, the Company has had no activities that would need to be disclosed on such schedules.

## Pariter Securities, LLC.

### Computation of net capital under Rule 15c3-1 of the Securities and Exchange Commission December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Net Capital:</b>		
Capital per audited financial statements	\$ 246,243	\$ 242,166
Less-Non-allowable asset:		
Prepayments	(6,620)	(8,861)
Other assets	(76)	(1,062)
Property, plant and equipment	(9,507)	(4,002)
Other receivable	(53,820)	(46,412)
Deferred tax asset, net	(17,500)	(20,970)
License	(50,000)	(50,000)
	<u>\$ 108,720</u>	<u>\$ 110,859</u>
<b>Aggregate indebtedness:</b>		
Items included in the accompanying balance sheet	<u>\$ 108,349</u>	<u>\$ 71,647</u>
<b>Computation of basic net capital requirement:</b>		
Minimum required net capital (aggregate indebtedness / 15)	<u>\$ 7,223</u>	<u>\$ 4,776</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital requirement (highest of above amounts)	<u>\$ 7,223</u>	<u>\$ 5,000</u>
Excess net capital (net capital - higher of required net capital or \$5,000)	<u>\$ 101,497</u>	<u>\$ 105,859</u>
Net capital less the greater of 10% of aggregate indebtedness or 120% of minimum dollar net capital requirement	<u>\$ 97,885</u>	<u>\$ 103,694</u>
Ratio: Aggregate indebtedness to net capital	<u>1.00</u>	<u>0.65</u>
<b>Reconciliation with company's computation</b> (included in Part IIA Form X-17A-5 as of December 31, 2011 and 2010):		
Net Capital, as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 127,971	\$ 104,696
Net audit adjustments	(19,251)	6,163
Net capital per above	<u>\$ 108,720</u>	<u>\$ 110,859</u>

## Pariter Securities, LLC

### Reconciliation of Aggregate Indebtedness Pursuant to Rule 17A-5 (D)(4) of the Securities and Exchange Commission December 31, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
<b>Reconciliation with Company's Computation</b> <b>(included in part 11A Form X-17a-5 as of December 31, 2011 and 2010):</b>		
Aggregate indebtedness as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 89,098	\$ 72,830
Audit adjustments	<u>19,251</u>	<u>(1,183)</u>
Aggregate indebtedness, as reported in Schedule I	<u>\$ 108,349</u>	<u>\$ 71,647</u>

## **Report of Independent Certified Public Accountants on Internal Control Structure Required by SEC Rule 17a-5**

**To the Members and Board of Directors of  
Pariter Securities, LLC:**

**Kevane Grant Thornton LLP**  
33 Calle Bolivia  
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In planning and performing our audits of the financial statements and supplemental schedules of **Pariter Securities, LLC** (“the Company”), as of and for the years ended December 31, 2011 and 2010, 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 17a-5(g) (1) of the Securities 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 nor does it 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 recording 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, estimate and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC’s above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management’s authorization and recorded properly to permit preparation of financial statements in conformity with 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.

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 management 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 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 a 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 the internal control structure was for the limited purpose described in the first and second paragraph 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 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, as described in the second paragraph of this report, were adequate at December 31, 2011 and 2010, 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 which 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.

San Juan, Puerto Rico,  
February 27, 2012.

*Kevane Grant Thornton LLP*





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