

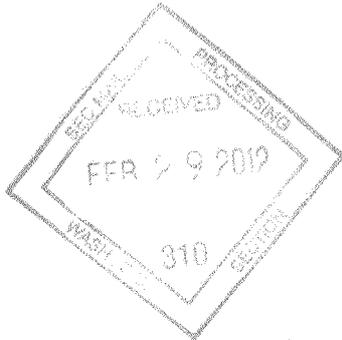
SECURITI

ION



12012912

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden	
Hours per response . . .	12.00



AD  
3/1/11

CM

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

SEC FILE NUMBER
8 - 46718

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:

EATON PARTNERS, LLC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

131 ROWAYTON AVENUE

(No. And Street)

ROWAYTON,

(City)

CT

(State)

06853

(Zip Code)

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

AJAY AHUJA

(203) 831-2970

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

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

5 West 37<sup>th</sup> Street, 4<sup>th</sup> Floor

(Address)

NEW YORK

(City)



10018

(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 basis for the exemption. See section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Handwritten initials/signature



EATON PARTNERS, LLC & SUBSIDIARIES  
AUDITED CONSOLIDATED  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011

**PUBLIC**

*Certified Public Accountants*

New York Office:  
5 West 37th Street, 4th Floor  
New York, New York 10018  
TEL: 212-490-3113  
FAX: 212-986-3679

Connecticut Office:  
95B Rowayton Avenue  
Rowayton, CT 06853  
TEL: 203-857-4400  
FAX: 203-857-0280

[www.fulviollp.com](http://www.fulviollp.com)

INDEPENDENT AUDITORS' REPORT

To the Members of  
Eaton Partners, LLC and Subsidiaries:

We have audited the accompanying consolidated statement of financial condition of Eaton Partners, LLC and Subsidiaries (the "Company"), as of December 31, 2011 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement. 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 consolidated financial statement referred to above presents fairly, in all material respects, the financial position of Eaton Partners, LLC and Subsidiaries as of December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

*Fulvio + Associates, LLP*

New York, New York  
February 24, 2012

EATON PARTNERS, LLC & SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	\$ 3,885,832
Fees receivable (net of allowance of doubtful accounts of \$2,164,847)	27,933,058
Property and equipment (net of accumulated depreciation of \$608,233)	626,613
Other assets	<u>850,027</u>
 TOTAL ASSETS	 <u>\$ 33,295,530</u>

LIABILITIES AND MEMBERS' CAPITAL

Liabilities:	
Accrued expenses and other liabilities	\$ 937,998
Interest of minority partners in Eaton UK	7,730
Commissions payable	<u>8,002,678</u>
 TOTAL LIABILITIES	 8,948,406
 Members' capital	 <u>24,347,124</u>
 TOTAL LIABILITIES AND MEMBERS' CAPITAL	 <u>\$ 33,295,530</u>

The accompanying notes are an integral part of this consolidated statement of financial condition.

EATON PARTNERS, LLC & SUBSIDIARIES  
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011

NOTE 1. ORGANIZATION AND BUSINESS

Eaton Partners, LLC (“Eaton Partners”) is a limited liability company established in the State of Connecticut. Eaton Partners is registered as a broker/dealer with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Eaton Partners’ business services include raising capital from institutional investors for investment funds or advisors and other consulting services. Eaton Partners operates from its headquarters in Connecticut with other offices in California, Texas, China, Hong Kong and United Kingdom.

CPE (UK) Limited (“CPE UK”) is a wholly owned Subsidiary of Eaton Partners. CPE UK is a private limited company incorporated under the laws of the United Kingdom in London, England. On February 1, 2008, CPE UK formed Eaton Partners (UK) LLP (“EP UK LLP”) to establish further market activities of Eaton Partners in Europe. CPE UK owns 90.5% of the partnership interest in EP UK LLP and the balance of 9.5% is owned by other minority partners. EP UK LLP is registered with the Financial Services Authority (the “FSA”). CPE UK and Eaton UK are herein collectively called as “Eaton UK”.

On January 17, 2011, Eaton Partners formed Eaton Partners Investment Advisory (Shanghai) Co., Ltd (“Eaton Shanghai”), a wholly foreign owned enterprise (WFOE), to assist on business activities in China.

On January 26, 2011, Eaton Partners formed Eaton Partners Advisors (HK) Limited (“Eaton HK”), a private limited company incorporated in Hong Kong. Eaton HK is registered to carry Type I regulated activities with the Securities and Futures Commission (“SFC”). Eaton Partners, Eaton UK, Eaton Shanghai and Eaton HK are herein collectively referred to as the “Company”.

The Company does not carry customer accounts and does not otherwise hold funds or securities for, or owe money or securities to customers and, accordingly, is exempt from SEC Rule 15c3-3.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company. All significant intercompany transactions and balances have been eliminated in consolidation. The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

EATON PARTNERS, LLC & SUBSIDIARIES  
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011  
(continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP 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. The estimates include assessing the collectability of fee receivables and other assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Translation of Foreign Financial Statements

The assets and liabilities of the Eaton UK, Eaton Shanghai and Eaton HK are translated into U.S. dollars at exchange rates as of the date of the consolidated statement of financial condition. Revenues and expenses are translated into U.S. dollars at the average of the rates prevailing during the period. Adjustments resulting from translating foreign functional currency financial statements are reported as foreign currency translation in the consolidated statement of income.

Minority Interest

The percentage of the Company owned by third parties is presented as interest of minority partners in Eaton UK on the consolidated statement of Financial Condition and was \$7,730 as of December 31, 2011. Net income or loss is allocated to the minority partners of Eaton UK in accordance with a service agreement between Eaton Partners and Eaton UK, as dated September 23, 2009.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. As of December 31, 2011, the Company had cash and cash equivalent balances at four major commercial banks. At times the Company maintains over \$250,000 in the bank accounts which is in excess of federally insured (FDIC) amounts.

Revenue Recognition

Fees are recognized when services are completed and the revenues are reasonably determinable, unless the service is rendered on a contingent fee basis in which case revenues are recognized upon satisfaction of the contingency.

EATON PARTNERS, LLC & SUBSIDIARIES  
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011  
(continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Eaton Partners is a Limited Liability Corporation for U.S. federal and state income tax reporting as such, the members are responsible for the payment of income taxes. Eaton Partners uses the cash method for income tax reporting and the accrual basis for financial reporting. CPE UK is a limited company and is subject to certain taxes based on income in accordance with laws of the United Kingdom. The members of Eaton UK are responsible for the payment of income taxes. Eaton Shanghai and Eaton HK both are subject to local taxes in China and Hong Kong.

The Company recognizes and measures its unrecognized tax benefits in accordance with ASC Topic 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of the period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Depreciation

Property and equipment are stated at cost. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Life of lease
Furniture and fixtures	7 years
Office equipment	5 years
Computer hardware and software	3 years

NOTE 3. FEES RECEIVABLE

Fees receivable are contractually due to be paid to the Company (Net of allowance of doubtful accounts) as follows:

2012	\$ 10,849,443
2013	5,224,374
2014	1,683,594
thereafter	<u>10,175,647</u>
	<u>\$ 27,933,058</u>

The Company has complied with the provisions of the FINRA's Notice to Members 84-48 with respect to concession receivables where a corresponding commission payable exists. Accordingly, as of December 31, 2011, \$7,754,488 of fees receivable have been included in the computation of net capital.

EATON PARTNERS, LLC & SUBSIDIARIES  
 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
 DECEMBER 31, 2011  
 (continued)

NOTE 3. FEES RECEIVABLE (continued)

The Company performs periodic credit evaluations of its client's financial condition. The Company generally does not require collateral and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of clients, historical trends and other information. To date, such losses, if any, have been within management's expectations.

NOTE 4. PROPERTY AND EQUIPMENT

At December 31, 2011, property and equipment consists of the following:

Leasehold improvements	\$ 505,413
Furniture & fixtures	234,646
Computer hardware	289,130
Computer software	131,277
Office equipment	<u>74,380</u>
Total	<u>1,234,846</u>
 Less accumulated depreciation	 <u>(608,233)</u>
	 <u>\$ 626,613</u>

Depreciation expense for the year ended December 31, 2011 was \$198,249.

NOTE 5. COMMISSIONS PAYABLE

Eaton Partners has commission arrangements with former members, employees and outside consultants (the "Economic Partners"). The arrangements provide for payments to be made to the Economic Partners when and if Eaton Partners receives payment from the associated clients. As of December 31, 2011, commission payable amounted to \$8,002,678.

Commissions payable are due to be paid, subject to collection by Eaton Partners of the related fee receivables, as follows:

2012	\$ 2,996,965
2013	1,264,305
2014	505,364
Thereafter	<u>3,236,044</u>
	<u>\$ 8,002,678</u>

EATON PARTNERS, LLC & SUBSIDIARIES  
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011  
(continued)

NOTE 5. COMMISSIONS PAYABLE (continued)

The following is a reconciliation from commission payable balance on the consolidated statement of financial condition to the commission payable used in the computation of net capital:

Commission Payable	\$ 8,002,678
Cash collection of fees receivable not remitted to Economic Partners as of December 31, 2011	(248,190)
Commission payable used in the computation of net capital	\$ 7,754,488

NOTE 6. COMMITMENTS

Bank Credit Line

Eaton Partners is a guarantor to a line of credit (“Initial Loan”) in the amount of \$3,500,000 with a bank, whereby members personally may borrow directly from the bank and Eaton Partners will fully guaranty such borrowings. The borrowings are used to fund the borrowing members’ capital contributions and payments of overhead and other capital expenditures. The loan is fully collateralized by first priority perfected security interest in all present and future accounts receivable, inventory and personal property of Eaton Partners. On July 1, 2011, Eaton Partners restructured the Initial Loan and extended the final maturity of the loan to October 31, 2012. The principal amount owed by the designated borrowing members as of December 31, 2011 was \$2,939,372.

In addition, a new line of credit facility was created on July 1, 2011, in the amount of \$2,000,000 by a member with the same guaranty provisions as the Initial Loan. As of December 31, 2011, the balance on this line of credit was \$442,990. This facility expires at September 1, 2012.

Operating Leases

The Company has entered into non-cancelable operating leases for office facilities. Future minimum payments under the operating leases are as follows:

2012	\$ 1,065,151
2013	928,941
2014	842,662
2015	742,409
2016	663,096
Thereafter	462,636
	\$ 4,704,895

Related rent expense was \$1,082,506 for the year ended December 31, 2011 net of rental income of \$65,600.

EATON PARTNERS, LLC & SUBSIDIARIES  
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011  
(continued)

NOTE 7. RELATED PARTY TRANSACTIONS

Eaton Partners and Eaton UK have entered into a service agreement dated September 23, 2009 (the "UK Service Agreement") whereby an amount equal to cost plus the standard operating budget will be paid by Eaton Partners to Eaton UK for the services provided by Eaton UK under the Service Agreement.

In addition, Eaton Partners and Eaton Shanghai have entered into a service agreement dated January 17, 2011 (the "Shanghai Service Agreement"). Eaton Partners and Eaton HK have also entered into a service agreement dated March 8, 2011 (the "HK Service Agreement"). The company has implemented cost plus methodologies in accordance with opinion from local tax and accounting authorities. Please see Note 10 in the accompanying notes to these consolidated financial statements for additional details on related party administration expenses.

The Eaton UK operating budget will be agreed for the year and revised by agreement between Eaton UK and Eaton Partners from time to time during each year. The operating budget includes any agreed monthly drawings of members of Eaton UK and the cost of any benefits which Eaton UK agrees to provide to its members pursuant to the Service Agreement. During 2011, Eaton Partners has incurred a charge of \$2,787,801 for the services provided under the Service Agreement which is included in general and administrative expenses on the accompanying consolidated statement of income.

NOTE 8. NET CAPITAL REQUIREMENT

As a registered broker-dealer and member of FINRA, Eaton Partners is subject to the Uniform Net Capital Rule 15c3-1 (the "Rule") of the SEC, which requires the maintenance of minimum net capital as defined. Eaton Partners has elected to use the alternative method permitted by the Rule, which requires Eaton Partners to maintain minimum net capital equal to \$250,000. At December 31, 2011, Eaton Partners had net capital of \$2,020,329 which was \$1,770,329 in excess of its requirement.

NOTE 9. CONCENTRATION

For the year ended December 31, 2011, three clients accounted for 39%, 10%, and 8%, for an aggregate of 57% of fee income. Three clients accounted for 46%, 12% and 9%, for an aggregate of approximately 67% of fee receivables at December 31, 2011.

EATON PARTNERS, LLC & SUBSIDIARIES  
NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2011  
(continued)

NOTE 10. CONSOLIDATED SUBSIDIARIES

The following is a summary of the financial information of the Subsidiaries':

	<u>CPE UK LTD</u>	<u>Eaton Shanghai</u>	<u>Eaton HK</u>
Total assets	\$ 538,569	\$ 88,381	\$ 667,248
Shareholder's capital	295,416	81,848	656,792

The Subsidiaries' shareholder's capital is not included as capital for purposes of calculating Eaton Partners' net capital in accordance with SEC Uniform Net Capital Rule (Rule 15c3-1).

During 2011, Eaton UK incurred \$2,125,413 in administrative expenses which are included in general and administrative expenses in the accompanying consolidated statement of income. Respectively, Eaton Shanghai and Eaton HK also incurred \$377,350 and \$232,095 in administrative expenses which are included in general and administrative expenses that are shown net of the intercompany elimination in the accompanying consolidated statement of income in 2011.

NOTE 11. EMPLOYEE BENEFIT PLAN

During 2011, Eaton Partners payroll services were administrated by a Professional Employment Organization ("PEO"). The PEO was also retained and administrated Eaton Partners profit sharing plans. Eaton Partners made a contribution of \$125,862 for the year ended December 31, 2011.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated. For the period from January 1, 2012 through February 24, 2012, Eaton Partners had distributions of \$1,268,932.