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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**

SFC Mail Processing Section

FEB 29 2012

Washington, DC
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SEC FILE NUMBER
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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: GRADIENT SECURITIES, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

4570 CHURCHILL STREET

(No. and Street)

SHOREVIEW

MN

55126

(City)

(State)

(Zip Code)

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

NICK STOVALL (651)621-8239

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BOULAY, HEUTMAKER, ZIBELL & CO. P.L.L.P.

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

7500 FLYING CLOUD DRIVE, STE 800 MINNEAPOLIS

MN

55344

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

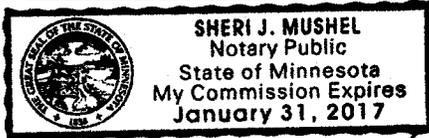
SEC 1410 (06-02)

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Handwritten signature/initials

OATH OR AFFIRMATION

I, JEFF FOLEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GRADIENT 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:



Sheri Muschel
Notary Public

[Signature]
Signature

PRESIDENT
Title

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).

GRADIENT SECURITIES, LLC

Shoreview, Minnesota

Financial Statements

December 31, 2011 and 2010

Gradient Securities, LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Director and Managing Member
Gradient Securities, LLC
Shoreview, Minnesota

We have audited the accompanying statement of financial condition of Gradient Securities, LLC, formerly known as SYM Capital Securities, LLC (the Company), as of December 31, 2011 and 2010 and the related statements of operations and members' equity, and cash flows for each of the years in the two-year period ended December 31, 2011. Gradient's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 control over financial reporting. Our audit included 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 Gradient Securities, LLC as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Boulay, Heutmaker, Zibell & Co. P.L.L.P.
Certified Public Accountants

Minneapolis, Minnesota

February 27, 2012

GRADIENT SECURITIES, LLC
STATEMENTS OF FINANCIAL CONDITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 298,485	\$ 221,890
Commissions Receivable	99,379	73,966
Accounts Receivable	9,096	7,932
Prepaid and Other Current Assets	98,003	63,012
Total Current Assets	<u>504,963</u>	<u>366,800</u>
Office Equipment, net of accumulated depreciation of \$241 in 2011	4,290	-
Total Assets	<u>\$ 509,253</u>	<u>\$ 366,800</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts Payable	3,238	-
Commissions Payable	124,991	74,355
Other Current Liabilities	41,125	240
Unearned Commissions	68,991	-
Total Current Liabilities	<u>238,345</u>	<u>74,595</u>
Total Liabilities	<u>238,345</u>	<u>74,595</u>
Members' Equity	270,908	292,205
Total Liabilities and Members' Equity	<u>\$ 509,253</u>	<u>\$ 366,800</u>

GRADIENT SECURITIES, LLC
 STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
 December 31, 2011 and 2010

	2011	2010
REVENUE		
Commissions	\$ 1,630,264	\$ 863,653
Services	183,434	66,325
Total Revenue	1,813,698	929,978
 EXPENSES		
Commission Compensation	1,235,738	750,691
Professional & Consulting fees	26,174	35,393
Advertising	12,305	19,824
Regulatory Fees	78,893	39,957
Office Space, Equipment and Rents	17,309	7,226
Insurance	110,154	53,008
Bank Charges	6,455	2,613
Salary & Wages	315,911	-
Management Fees	352,289	471,026
Total Expenses	2,155,228	1,379,738
 NET LOSS	 (341,530)	 (449,760)
Members equity at beginning of year	292,205	109,295
Capital contributions by members	320,233	632,670
 MEMBERS' EQUITY AT END OF YEAR	 \$ 270,908	 \$ 292,205

GRADIENT SECURITIES, LLC
 STATEMENTS OF CASH FLOWS
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (341,530)	\$ (449,760)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	241	-
Changes in assets and liabilities		
Commissions Receivable	(25,413)	(68,865)
Accounts Receivable	(1,164)	(7,116)
Prepays and Other Assets	(34,991)	(23,402)
Accounts Payable	3,238	-
Commissions Payable	50,636	61,539
Other Current Liabilities	40,885	(766)
Unearned Commissions	68,991	-
	<u>(239,107)</u>	<u>(488,370)</u>
Net cash used for operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(4,531)</u>	<u>-</u>
Net cash used for investing activities	<u>(4,531)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Member Contributions	<u>320,233</u>	<u>632,670</u>
Net cash from financing activities	<u>320,233</u>	<u>632,670</u>
NET INCREASE IN CASH	76,595	144,300
CASH AT BEGINNING OF YEAR	221,890	77,590
CASH AT END OF YEAR	<u><u>\$ 298,485</u></u>	<u><u>\$ 221,890</u></u>

GRADIENT SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Gradient Securities, LLC (formerly known as SYM Capital Securities, LLC) (the “Company”) was formed on April 9, 2003 as an Indiana limited liability company. On January 2, 2004, the Company became a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company offers variable life insurance or annuities, and mutual fund transaction services to its customers through affiliated registered representatives. The Company also receives trailing commissions from transactions entered into during previous fiscal years. The Company is exempt from Securities and Exchange Commission (SEC) Rule 15c3-3, because of limited business and is not required to make periodic computation of reserve requirements for the exclusive benefit of customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The Company’s records are maintained on the accrual basis of accounting, and its financial reporting and accounting policies conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies adopted by the Company.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe such contingencies currently exist that will have a material effect on the financial statements.

Revenue Recognition: The Company recognizes revenue in accordance with recognized industry practice. Securities transactions are recorded on a trade date basis. Revenues arising from the sale of variable annuity contracts are recognized when the issuer approves the investment transaction.

Income Taxes: The Company is a multi-member limited liability company under the Internal Revenue Code with all income tax implications flowing through to each member. Therefore, no provision for income taxes is necessary as the net income or loss of the Company is included in the income tax return of the Company’s members. There were no differences between the financial statement basis and tax basis of the Company’s assets or liabilities.

Primarily due to the multi-member limited liability company tax status, the Company does not have any significant tax uncertainties that would require disclosure.

GRADIENT SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Cash and equivalents: The Company considers cash on hand, deposits with other financial institutions, and short-term investments having an initial maturity of three months or less as cash and cash equivalents.

The Company maintains its accounts primarily at one financial institution. At times throughout the year, the Company's cash may exceed amounts insured by the Federal Deposit Insurance Corporation.

Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk: In the normal course of business, the Company does not carry customer accounts or have clearing activities; therefore it has no related off-balance sheet risk.

Advertising: The Company expenses advertising costs when incurred. Total advertising costs were approximately \$12,500 and \$20,000 for the years ended December 31, 2011 and 2010, respectively.

Office Furniture and Equipment: Prior to July 1, 2011, office furniture and equipment was provided by Gradient Insurance Brokerage, Inc. as part of the management agreement explained in NOTE 4. Under the agreement, equipment was provided by Gradient Insurance Brokerage, Inc. and expensed as part of management fees within the statement of operations. Beginning July 1, 2011, the Company no longer expenses the use of PP&E acquired through the management agreement. Rather, equipment is capitalized and stated at cost, net of accumulated depreciation, on the balance sheet. Depreciation is provided over the estimated useful lives. At December 31, 2011, property and equipment was made up entirely of computers which were being depreciated on a straight-line basis over 3 years. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

Subsequent Events: The Company has evaluated subsequent events through February 27, 2012, the date which the financial statements were available to be issued.

Fair Value of Financial Instruments: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value. Level 1 inputs include quoted market prices in an active market or the price of an identical asset or liability. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data for substantially the full term of the asset or liability. Level 3 inputs are unobservable and corroborated by little or no market data. The Company uses valuation techniques in a consistent manner from year-to-year. At the present time, the Company does not have any assets or liabilities that would require fair value recognition or disclosures. The fair value of financial instruments classified as assets or liabilities, including cash, accounts and commissions receivable, commissions payable and other current liabilities approximate carrying value, principally because of the short maturities of these items.

GRADIENT SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of a minimum amount of net capital and requires the ratio of aggregate indebtedness to net capital both as defined, shall not exceed fifteen to one. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio exceeds ten to one. Net capital and the related net capital ratio fluctuate on a daily basis; however, at December 31, 2011 and 2010, the net capital ratio, net capital and excess net capital are as follows:

	2011	2010
Aggregate indebtedness to net capital ratio	2.21:1	.41:1
Net capital	\$108,069	\$180,870
Excess net capital	\$92,179	\$175,870

NOTE 4 – RELATED PARTY TRANSACTIONS

Prior to April 2011, the Company had no employees. A management agreement entered into by and between the Company and Gradient Insurance Brokerage, Inc. exists, whereby all expenses, except registered representative commissions, office lease expenses, and bank charges, are indirect costs that were allocated to the Company, including salaries, employee benefits, operating costs, and administrative services incurred by Gradient Insurance Brokerage, Inc. on behalf of the Company. The expenses charged through this agreement were allocated to the respective functional expenses with the remainder charged to management fees. In addition, during the years ended December 31, 2011 and 2010, \$352,289 and \$471,026, respectively, of management fees were charged to the Company using an allocation method developed by management of Gradient Insurance Brokerage, Inc. Gradient Insurance Brokerage, Inc. and Gradient Securities, LLC are related through a majority of common ownership.

Effective September 1, 2010, Gradient Insurance Brokerage, Inc. and Gradient Securities, LLC entered into an agreement to distribute a portion of the net commission override earnings of Gradient Insurance Brokerage, Inc. to Gradient Securities, LLC for an agreed upon percentage of all annuity insurance business conducted through Gradient Insurance Brokerage, Inc. by a commonly affiliated registered representative of Gradient Securities, LLC. During 2011 and 2010, this agreement produced income of \$181,135 and \$39,702, respectively, for Gradient Securities, LLC, which is included in commissions revenue on the statement of operations. Additionally, \$43,568 and \$39,702 is included in commissions receivable at December 31, 2011 and 2010, respectively.

The Company entered into a lease agreement with A-Street, LLC, a related party entity, on August 1, 2011, for a fractional use of three corporate owned aircraft that requires a monthly payment of \$1,256 plus variable use expenses as incurred. The terms of the lease are indefinite in nature and terminable by either party with 30 days notice. In 2011, the Company recorded \$6,265 of expense within office space, equipment and rents on the statement of operations related to this lease.

GRADIENT SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 – LEASES

The Company leases its facility from an unrelated party under an operating lease. The original term of the lease expires in August 2013. The lease provides for scheduled base rent increases for each year of the lease. In addition to the base lease, the Company is responsible for an annually adjusted common area maintenance (CAM) assessment based on the proportional share of the rentable space for shared space and operating costs.

Future minimum lease commitments over the term of the lease, excluding operating costs, are as follows:

<u>Year</u>	<u>Amount</u>
2012	4,664
2013	3,109
Total	<u>\$7,773</u>

Rent expense and common area maintenance related to the lease described above was approximately \$8,100 and \$7,200 for the years ended December 31, 2011 and 2010, respectively.

NOTE 6 – COMPANY OWNERSHIP AND NAME CHANGE

On January 8, 2009, SYM Financial Corporation (previous 100% owner and sole member of the Company) entered into an agreement with an individual for a 20% ownership interest, leaving the remaining 80% ownership interest with SYM Financial Corporation. As part of the agreement, the individual, held an option to purchase the remaining eighty percent of the Company conditioned upon approval by FINRA and the SEC for control and ownership change from SYM Financial Corporation to the individual. On June 5, 2009, the individual was notified by FINRA that approval had been granted for 100% control and ownership. On June 10, 2009, SYM Capital Securities, LLC amended the articles of incorporation with the State of Indiana to reflect a name change to Gradient Securities, LLC. On June 19, 2009, the individual purchased the remaining 80% ownership interest from SYM Financial Corporation to become the sole owner.

Effective January 1, 2010, the sole individual owner of Gradient Securities, LLC consummated an agreement to transfer a 10% ownership interest to an unaffiliated party. This action created a multi-member limited liability company.



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
SUPPLEMENTARY FINANCIAL INFORMATION

Director and Managing Member
Gradient Securities, LLC
Shoreview, Minnesota

We have audited the accompanying financial statements of Gradient Securities, LLC as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated, February 27, 2012. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in pages 10 and 11 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.

Boulay, Heutmaker, Zibell & Co. P.L.L.P.
Certified Public Accountants

Minneapolis, Minnesota

February 27, 2012

GRADIENT SECURITIES, LLC
COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL UNDER RULE 15c3-1
For the years ended December 31, 2011 and 2010

	<u>2011</u>
NET CAPITAL:	
Total members' equity	\$ 270,908
Deduct:	
Nonallowable assets:	
Other assets	<u>(162,839)</u>
Net Capital	<u><u>\$ 108,069</u></u>
AGGREGATE INDEBTEDNESS	<u><u>\$ 238,343</u></u>
RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL	220.5%
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Minimum net capital required to be maintained (the greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>\$ 15,890</u>
Excess net capital	<u><u>\$ 92,179</u></u>

No reconciliations deemed necessary since no material differences were noted in the computation of net capital.

GRADIENT SECURITIES, LLC
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3
For the years ended December 31, 2011 and 2010

Gradient Securities, LLC is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(1) of that Rule.



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To the Board of Directors
Gradient Securities, LLC

In planning and performing our audit of the financial statements of Gradient Securities, LLC (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 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 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 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow 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 control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and communicated them in writing to management and those charged with governance on February 27, 2012.

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, Financial Industry Regulatory Authority, 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.

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To the Members of the Board of Directors
and Management

In planning and performing our audit of the financial statements of Gradient Securities, LLC (the Company) as of December 31, 2011, we considered the company's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be significant deficiencies under standards established of the Public Company Accounting Oversight Board (PCAOB). 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 material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We did not identify any control deficiencies that we believe to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

We noted the following deficiencies that we believe to be significant deficiencies.

Lack of Segregation of Duties

Many small organizations have limited internal accounting controls because there is minimal segregation of duties. A good system of internal accounting control contemplates an adequate segregation of duties so no individual handles a transaction from its inception to its completion. While we recognize that the Company is not large enough to permit adequate segregation of duties in all respects, it is important that you are aware of this condition. Documented policies and procedures provide a means of communicating management's expectations for proper segregation of duties.

We noted during the audit that an incompatible duty relating to cash disbursements exists. One individual has access to the Company's blank check stock and also has check signing authority. To mitigate risks related to misappropriation of cash, we recommend the Company segregate these duties.

Expense Sharing Agreement

During the audit, it came to our attention that operating expenses outlined in the expense sharing agreement between the Company and Gradient Insurance Brokerage, Inc. are not being allocated as the agreement states. Instead, operating expenses are allocated in line with a verbal understanding. It is our recommendation that the written agreement be updated to better reflect the parties' understanding.

OTHER COMMENTS

Information Technology General Controls Over WinOps Application

Currently some logging is occurring within the WinOps application with regard to the commission rate table. However, no review of the logs is executed. It is our recommendation that the Company perform a recurring review of WinOps commission rate logs on a periodic basis to ensure commission rate payments are authorized and accurate. At a minimum changes to the commission rate table should

To the Members of the Board of Directors
and Management
February 27, 2012
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be logged. The log should be reviewed by a second individual to ensure all commission rates are accurate and approved. We recommend a sample of transactions be selected and tested at least monthly with approximately one-third of those selections being related to transactions involving new investment packages offered by the providers.

It was also noted during our audit that the Company is not currently performing testing of WinOps application releases prior to production use. It is our recommendation that management formalize and execute a test plan to ensure future applications function as expected prior to implementation.

REVIEW OF PRIOR YEAR RECOMMENDATIONS

Lack of Segregation of Duties

During the 2010 audit, we found some incompatible duties related to cash receipts and disbursements. One individual who recorded the cash receipts and disbursements journal entries in the general ledger also reconciled the bank account. During 2011, these duties were segregated and the cash receipts and disbursements entries are being posted to the general ledger by an individual who is not involved with the bank reconciliation procedures.

Reconciliation to WinOps Application

During the 2010 audit, it came to our attention that reconciliations between WinOps and bank deposits were not occurring on a daily basis. It was our recommendation that the WinOps Daily Paid reports be compared to bank deposits each date to ensure a proper cut-off of revenue and the general ledger agrees to commissions received. During 2011, management developed a process by which the WinOps paid trades report is reconciled to the bank deposits at the end of each month and adjustments are made to properly reflect revenues at month end based on the Company's revenue recognition policies.

This letter is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Boulay, Heutmaker, Zibell & Co. P.L.L.P.

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February 27, 2012

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