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

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

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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 01/01/2011 AND ENDING 12/31/2011 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: NBC Securities, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1927 First Avenue North

(No. and Street)

Birmingham, AL 35203

(City)

(State)

(Zip Code)

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

Brad Phelan

(205) 421-9390

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Warren, Averett, Kimbrough and Marino

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

2500 Acton Road

Birmingham, AL 35243

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- [X] 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)

OATH OR AFFIRMATION

I, Bradford L. Phelan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NBC Securities, Inc., as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

[Signature]  
Signature

\_\_\_\_\_  
President and CEO

[Signature]  
Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Aug 16, 2014  
BONDED THRU NOTARY PUBLIC UNDERWRITERS

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).

**NBC SECURITIES, INC.**  
**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**  
**DECEMBER 31, 2011**

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Note: The Statement of Changes in Liabilities Subordinated to Claims of General Creditors has been omitted since NBC Securities, Inc. has no such liabilities outstanding at the beginning of the year, during the year or at year end.

# WARREN, AVERETT, & KIMBROUGH & MARINO

Certified Public Accountants | Business & Financial Consultants

2500 Acton Road  
Birmingham, AL 35243  
205.979.4100

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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

February 17, 2012

Board of Directors and Stockholder  
NBC Securities, Inc.  
Birmingham, Alabama

We have audited the accompanying statement of financial condition of NBC Securities, Inc. (the Company) as of December 31, 2011, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 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 NBC 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.

Board of Directors and Stockholder  
NBC Securities, Inc.  
February 17, 2012  
Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedules I, II and III required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 financial statements as a whole.

*Warren Averett, LLC*

Birmingham, Alabama

**NBC SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2011**

**ASSETS**

Cash and cash equivalents	\$ 1,342,035
Deposits with clearing organizations	50,000
Receivables from broker-dealers and clearing organizations	395,924
Premises and equipment, net	167,496
Other assets	<u>1,629,521</u>
	<u>\$ 3,584,976</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable, accrued expenses and other liabilities	\$ 419,927
--	------------

**Stockholder's Equity**

Common stock, \$1 par value - authorized, issued and outstanding, 100 shares	100
Additional paid-in capital	2,979,298
Retained earnings	<u>185,651</u>
	<u>3,165,049</u>
	<u>\$ 3,584,976</u>

See notes to financial statements.

**NBC SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Revenues</b>	
Commissions	\$ 8,086,984
Fee income	5,137,799
Interest on securities	<u>84,031</u>
	13,308,814
<b>Expenses</b>	
Employee compensation and benefits	10,696,614
Advisory fee expense	1,422,287
Floor brokerage, exchange and clearance fees	918,743
Occupancy and equipment	347,460
Communications and data processing	333,834
Professional fees	120,618
Printing and postage	62,317
Other	<u>524,167</u>
	<u>14,426,040</u>
<b>Loss before Income Tax</b>	(1,117,226)
<b>Income Taxes</b>	<u>-</u>
<b>Net Loss</b>	<u><u>\$ (1,117,226)</u></u>

See notes to financial statements.

**NBC SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
	Shares	Amount			
<b>Balance - January 1, 2011</b>	100	\$ 100	\$ 2,979,298	\$ 1,377,877	\$ 4,357,275
Net loss	-	-	-	(1,117,226)	(1,117,226)
Dividend to Parent	-	-	-	(75,000)	(75,000)
<b>Balance - December 31, 2011</b>	<u>100</u>	<u>\$ 100</u>	<u>\$ 2,979,298</u>	<u>\$ 185,651</u>	<u>\$ 3,165,049</u>

See notes to financial statements.

**NBC SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Cash Flows from Operating Activities</b>	
Net loss	\$ (1,117,226)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization of premises and equipment	51,373
Depreciation and amortization of Employee Notes (Note F)	987,397
Changes in operating assets and liabilities:	
Cash and cash equivalents segregated under federal and other regulations	30,303
Deposits with clearing organizations	250,185
Receivables from broker-dealers and clearing organizations	(35,680)
Securities owned	31,860
Other assets	(29,794)
Payable to broker-dealers and clearing organizations	(8,805)
Accounts payable, accrued expenses and other liabilities	23,009
	182,622
<b>Net Cash Provided by Operating Activities</b>	<b>182,622</b>
<b>Cash Flows from Investing Activities</b>	
Purchases of premises and equipment	(46,349)
	(46,349)
<b>Net Cash Used in Investing Activities</b>	<b>(46,349)</b>
<b>Cash Flows from Financing Activities</b>	
Dividend to Parent	(75,000)
	(75,000)
<b>Net Cash Used in Financing Activities</b>	<b>(75,000)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>61,273</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>1,280,762</b>
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 1,342,035</b>

**SUPPLEMENTAL DISCLOSURES OF CASH  
FLOW INFORMATION**

Cash paid during the year for:	
Interest	\$ 2,317
Income taxes	\$ -

See notes to financial statements.

**NBC SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A - ORGANIZATION AND NATURE OF BUSINESS**

NBC Securities, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) and a wholly-owned subsidiary of NBCS Holdings, L.P. The Company is an introducing broker and clears trades through RBC Capital Markets Corporation (RBCCMC).

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company has defined cash and cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business. The recorded value of such instruments approximates their fair value. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

**Premises and Equipment**

Premises and equipment is recorded at cost less accumulated depreciation. Additions, improvements, renewals and expenditures that add materially to productive capacity or extend the life of an asset are capitalized. Upon retirement or disposal of an asset, the asset and related accumulated depreciation are eliminated. Any gain or loss on such transactions is charged to operations. The provision for depreciation is computed on the straight-line method over the estimated useful life of each depreciable asset.

**NBC SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Income Taxes**

The Company accounts for income taxes under Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. Under ASC Topic 740, there are two components of the income tax provision: current and deferred. The current income tax provision approximates taxes to be paid or refunded for the applicable period. Statement of financial condition amounts of deferred taxes are recognized on the temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in the financial statements under accounting principles generally accepted in the United States of America. Deferred tax expense or benefit is then recognized for the change in deferred tax liabilities or assets between periods.

**Fee Income**

Fee income consists of asset management and administration fees. Asset management and administration fees are recognized as revenue over the period that the related service is provided based upon average customer net asset balances. Customer average net asset balances are based upon quoted market prices and other observable market data.

**Commissions and Customer Securities Transactions**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Subsequent Events**

Management has evaluated all events or transactions that occurred after December 31, 2011, through the date of the issued financial statements. During this period, there were no material recognizable subsequent events that required recognition in the disclosures to the December 31, 2011, financial statements.

**NOTE C - RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS**

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2011, consist of the following:

	Receivable	Payable
Receivables from broker-dealers and clearing organizations	<u>\$ 395,924</u>	<u>\$ -</u>

**NBC SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE D - PREMISES AND EQUIPMENT, NET**

A summary of premises and equipment at December 31, 2011, is as follows:

Computer equipment	\$ 226,113
Office equipment	<u>65,617</u>
	291,730
Accumulated depreciation	<u>(124,234)</u>
	<u>\$ 167,496</u>

Depreciation expense for 2011 was \$51,373.

**NOTE E - EMPLOYEE BENEFIT PLANS**

Effective July 7, 2010, the Company sponsored a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code (the Code). The terms of the plan provide that employee participants can contribute up to 50 percent of their base salary to the plan on a pretax basis, and the Company matches up to 100 percent of the first six percent of each participant's contribution. Full-time employees who are at least 18 years of age become eligible to participate beginning on the first day of employment. The Company match begins the first day of the month after completion of one year and at least 1,000 hours of service. Vesting in employee contributions and earnings on those contributions are 100 percent and are immediate. Vesting of Company matches increases 25 percent per year from zero percent after one year of service to 100 percent after five years of service. The Company's matching contribution, included in the caption "employee compensation and benefits" in the statement of operations, was \$177,984 for the year ended December 31, 2011.

**NOTE F - RELATED PARTIES**

The Company has outstanding loans to employees totaling \$1,381,009 as of December 31, 2011, included in other assets in the statement of financial condition. The loans will be forgiven on an annual basis over the lives of the loans dependent on the employees maintaining employment. During 2011, the Company recorded compensation expense totaling \$987,397 related to the forgiveness of loans to employees.

**NBC SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE G - NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, as permitted and defined by Rule 15c3-1, which requires the Company to maintain minimum net capital, as defined, equal to the greater of \$250,000 or two percent of aggregate debit balances arising from customer transactions. The net capital rule also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than five percent of aggregate customer debit balances. At December 31, 2011, the Company had net capital of \$1,322,223, which was \$1,072,223 in excess of required net capital. The Company did not have any aggregate debit balances at December 31, 2011; therefore, the percentage of net capital to aggregate debit items was not meaningful.

**NOTE H - INCOME TAXES**

Income taxes for financial reporting purposes differ from the amount computed by applying the statutory federal income tax rate of 34 percent for the year ended December 31, 2011, for the reasons below:

Tax benefit on loss computed at statutory federal income tax rate	\$ (380,027)
State benefit, net of federal income tax benefit	<u>(34,604)</u>
	(414,631)
Increase in taxes resulting from:	
Rate change on deferred taxes	1,927
Permanent items	12,032
Deferred - other adjustments	2,887
Adjustment of valuation allowance	387,092
Other	<u>10,693</u>
	<u>414,631</u>
Total tax expense	<u>\$ -</u>
Effective tax rate	<u>0.00%</u>

**NBC SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE H - INCOME TAXES - Continued**

The Company has determined that it does not have any tax positions at December 31, 2011, that it would be unable to substantiate. The Company has filed its tax returns through December 31, 2010. The tax returns for the years ended December 31, 2008, and thereafter are subject to audit by the taxing authorities.

The amounts for current federal and state taxes and deferred federal and state taxes are \$0 for the year ended December 31, 2011.

The balance sheet (statement of financial condition) method is used to determine deferred taxes. Under this method, the net deferred tax asset or liability is based on the tax consequences of differences between the book and tax bases of assets and liabilities, which are determined by applying enacted statutory rates applicable to future years to these temporary differences. Deferred taxes can be affected by changes in tax rates applicable to future years, either as a result of statutory changes or business changes that may change the jurisdictions in which taxes are paid. Additionally, deferred tax assets are subject to a "more likely than not" test. If the "more likely than not" test is not met, a valuation allowance must be established against the deferred tax asset. The Company has established a valuation allowance for the amount of deferred tax assets that it expects will not be realized less the amount of reversing tax liabilities.

The components of deferred income taxes included in other assets in the accompanying statement of financial condition at December 31, 2011, are as follows:

Deferred tax liabilities:	
Premises and equipment related to depreciation and amortization	\$ (15,284)
Deferred tax assets:	
Net operating loss carryforward	491,323
Loan reserve	95,855
Valuation allowance	<u>(571,894)</u>
Total deferred tax assets net of valuation allowance	<u>15,284</u>
Net deferred tax asset	<u><u>\$ -</u></u>

**NBC SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE I - COMMITMENTS AND CONTINGENCIES**

The Company, in its capacity as a broker-dealer, is subject to litigation and various claims, as well as examination by regulatory agencies. On the basis of information furnished by legal counsel and others, management believes no matters are pending that will have a material adverse effect on the financial position or results of operations of the Company.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE I**  
**NBC SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2011**

**Computation of Net Capital**

<b>Total Stockholder's Equity</b>	\$	3,165,049
<b>Deduction and/or Charges</b>		
Nonallowable assets:		
Receivables		(25,190)
Securities owned		-
Premises and equipment, net		(167,496)
Other assets		(1,507,792)
Prepaid expenses		(121,729)
Other deductions or charges		(20,619)
		(1,842,826)
<b>Net Capital before Haircut on Securities Positions (tentative net capital)</b>		1,322,223
<b>Haircuts on Securities</b>		-
<b>Net Capital</b>	<b>\$</b>	<b>1,322,223</b>
2% of combined aggregate debit items as shown in formula for reserve requirements pursuant to Rule 15c3-3 prepared as of date of net capital computation	\$	-
Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with FOCUS (Note A)	\$	250,000
<b>Net Capital Requirement</b>	<b>\$</b>	<b>250,000</b>
<b>Excess Net Capital</b>	<b>\$</b>	<b>1,072,223</b>
<b>Percentage of Net Capital to Aggregate Debit Items</b>		Not meaningful, \$0 aggregate debit items

There are no material differences between the preceding computation and the Company's corresponding unaudited Form X-17a-5 as of December 31, 2011, as filed on January 26, 2012.

**SCHEDULE II**  
**NBC SECURITIES, INC.**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2011**

**Credit Balances**

Free credit balances and other credit balances in customers' securities accounts	\$	-
Monies borrowed collateralized by securities carried for the accounts of customers		-
Customers' securities failed to receive (including credit balances in continuous net settlement accounts)		-
Market value of short securities and credits (not to be offset by "longs" or by debits) in all suspense accounts over 30 calendar days		-
Credit balances in firm accounts		-
Market value of securities in transfer and unconfirmed greater than 40 days		-
		-

**Total Credit Items**

**Debit Balances**

Debit balances in customers' cash and margin accounts, excluding unsecured accounts doubtful of collection		-
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		-
Failed to deliver of customers' securities not older than 30 calendar days (including debit balances in continuous net settlement accounts)		-
Margin required and on deposit with Options Clearing Corporation (OCC) for all option contracts written or purchased in customer accounts		-
		-

**Aggregate Debit Items**

**Less 3% of Aggregate Debit Items**

**Total Debit Items**

**Reserve Computation**

Excess of total debits over total credits	\$	-
Required deposit	\$	-
Amount of deposit	\$	-

There are no material differences between the preceding computation and the Company's corresponding unaudited Form X-17a-5 as of December 31, 2011, as filed on January 26, 2012.

**SCHEDULE III**  
**NBC SECURITIES, INC.**  
**INFORMATION RELATING TO POSSESSION OR CONTROL**  
**REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND**  
**EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2011**

Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3).

A. Market value	None
B. Number of items	None

Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operation" as permitted under Rule 15c3-3.

A. Market value	None
B. Number of items	None

There are no differences between the computation for determination of the reserve requirements included in these financial statements and the computation included in the Company's December 31, 2011, unaudited Form X-17A-5 as of December 31, 2011, as filed on January 26, 2012.

# WARREN, AVERETT, KIMBROUGH & MARINO

Certified Public Accountants | Business & Financial Consultants

2500 Acton Road  
Birmingham, AL 35243  
205.979.4100

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

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM On Internal Control Required by SEC Rule 17a-5(g)(1) for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

February 17, 2012

Board of Directors and Stockholder  
NBC Securities, Inc.  
Birmingham, Alabama

In planning and performing our audit of the financial statements of NBC 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 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 compliance with 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-3a(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 the quarterly securities examinations, counts, verifications, and comparisons and the 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.

Board of Directors and Stockholder  
NBC Securities, Inc.  
February 17, 2012  
Page 2

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 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.

Board of Directors and Stockholder  
NBC Securities, Inc.  
February 17, 2012  
Page 3

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.

Sincerely,

*Warren Averett, LLC*

**NBC SECURITIES, INC.**

**AGREED-UPON PROCEDURES REPORT  
RELATED TO THE  
SECURITIES INVESTOR  
PROTECTION CORPORATION  
ASSESSMENT RECONCILIATION**

**DECEMBER 31, 2011**

**WARREN, AVERETT,  
KIMBROUGH & MARINO**

# WARREN, AVERETT, KIMBROUGH & MARINO

Certified Public Accountants | Business & Financial Consultants

2500 Acton Road  
Birmingham, AL 35243  
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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and Stockholder  
NBC Securities, Inc.  
1927 1st Avenue N 7th Floor  
Birmingham, AL 35203

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2011, which were agreed to by NBC Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC and other designated examining authority, solely to assist you and the other specified parties in evaluating NBC Securities, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). NBC Securities, Inc.'s management is responsible for the NBC 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-7T with respective cash disbursement records entries [*We agreed the December 31, 2011, Form SIPC-7T payment of \$7,915 to check #001834 and traced this payment as recorded to the regulatory fees expense account 419580415NBC001 in the general ledger system of NBC Securities, Inc. on February 9, 2012. We also agreed the Form SIPC-6 remitted payment of \$7,551 to check #001323 and traced this payment as recorded to the regulatory fees expense account 419580415NBC001 in the general ledger system of NBC Securities, Inc. on August 18, 2011*] noting no differences;

2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011 (for Statement of Income (Loss) amounts that are presented on a quarterly basis in the Form X-17A-5, we aggregated the amounts for the periods presented for the period January 1, 2011 through March 31, 2011; April 1, 2011 through June 30, 2011; July 1, 2011 through September 30, 2011; and October 1, 2011 through December 31, 2011), as applicable, with the amounts reported in Form SIPC-7T for the year ended December 31, 2011, noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers [*We agreed all adjustments to the audited trial balance noting clerical accuracy and recalculated the fee paid to the Securities Investor Protection Corporation*] supporting the adjustments noting no differences; and
5. Noted that no overpayment existed based on the calculations described above and noted that Form SIPC-7T did not indicate any overpayment.

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.

Birmingham, Alabama  
February 17, 2012