

SECURIT



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

**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 1/1/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BANYAN SECURITIES, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

100 Drakes Landing Road, Suite 125

(No. and Street)

Greenbrae,

California

94904

(City)

(State)

(Zip Code)

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

Bruce E. Neff

(415) 461-0900

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein Kass

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

9171 Wilshire Boulevard, 5th Floor

Beverly Hills

CA

90210

(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)

*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.*

*Copy 2/13/13*

OATH OR AFFIRMATION

I, Bruce E. Neff, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BANYAN SECURITIES, LLC, as of December 31, 20 12, 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:

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

Bruce E. Neff 1/13/13  
Signature  
MANAGING MEMBER  
Title

[Signature]  
Notary Public

This report\*\* contains (check all applicable boxes):

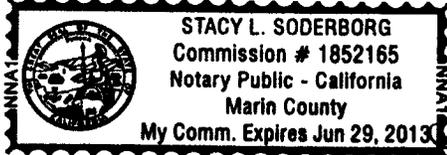
- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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

State of California  
County of Marin

Subscribed and sworn to (or affirmed) before me on this 23rd  
day of January, 2013, by Bruce E. Neff

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



(Seal)

Signature

A handwritten signature in cursive script, appearing to read "Stacy L. Soderborg", written over a horizontal line.

**BANYAN SECURITIES, LLC**  
STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2012

# **BANYAN SECURITIES, LLC**

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# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Banyan Securities, LLC

We have audited the accompanying statement of financial condition of Banyan Securities, LLC (the "Company") as of December 31, 2012 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of the statement of financial condition in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of financial condition that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statement of financial condition in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Banyan Securities, LLC as of December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.



Beverly Hills, California  
January 23, 2013

# BANYAN SECURITIES, LLC

## STATEMENT OF FINANCIAL CONDITION

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December 31, 2012

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### ASSETS

Cash	\$	161,048
Receivables from clearing broker, including clearing deposits of \$100,000		416,046
Commissions receivable		86,233
Other assets		<u>65,265</u>
	\$	<u>728,592</u>

### LIABILITIES AND MEMBERS' EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$	93,330
Commissions payable		<u>43,705</u>
Total liabilities		<u>137,035</u>

#### Members' equity

		<u>591,557</u>
	\$	<u>728,592</u>

# BANYAN SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of Business and Summary of Significant Accounting Policies

#### *Organization and Nature of Business*

Banyan Securities, LLC (the "Company") is a limited liability company organized under the laws of the State of California on December 11, 1996. The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), engaging in the general securities industry, with customers across the United States. The term of the Company is until December 31, 2025, but may be terminated earlier as set forth in its operating agreement (the "Agreement").

#### *Basis of Presentation*

The accompanying financial statements are presented using U.S. generally accepted accounting principles ("GAAP"). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

These financial statements were approved by management and available for issuance on January 23, 2013. Subsequent events have been evaluated through this date.

#### *Securities Transactions*

Transactions in securities and related gains and losses are recorded on a trade-date basis. Securities owned consist of common stocks of U.S. companies and are valued at fair value, with gains and losses on securities included in revenues.

#### *Commissions Receivable and Payable*

Commissions receivable represents commissions earned by the Company from brokerage transactions not yet received from its clearing broker. No allowance was deemed necessary as of December 31, 2012 since the Company has determined all commissions receivable to be collectible.

Commissions payable represents commissions earned by the Company's registered representatives but not yet paid by the Company.

#### *Commissions*

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

#### *Income Taxes*

The Company is a limited liability company, and treated as a partnership for income tax reporting purposes. The Internal Revenue Code ("IRC") provides that any income or loss is passed through to the members for federal and state income tax purposes. Accordingly, the Company has not provided for federal or state income taxes.

At December 31, 2012, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require. The Company remains subject to U.S. federal and state income tax audits for all periods subsequent to 2009.

# **BANYAN SECURITIES, LLC**

## **NOTES TO FINANCIAL STATEMENT**

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### **1. Summary of Significant Accounting Policies (continued)**

#### *Rental Expenses*

In accordance with GAAP, the Company recognizes minimum rental expense on a straight-line basis over the lease term. The difference between rental expense recognized on a straight-line basis and cash paid to the lessor is recorded as deferred rent liability.

#### *Members' Compensation*

Members' compensation is included in compensation and benefits on the statement of operations and primarily consists of commissions earned specifically by each member.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

### **2. Limitation of Members' Liability**

The debts, obligations and liabilities of the Company shall solely be the debts, obligations and liabilities of the Company and no member shall be obligated personally for any such debt, obligation or liability solely by reason of being a member, except for any debts, obligations and liabilities that may arise from a regulatory agency.

### **3. Members' Equity**

Contributions and distributions by members may be made from time to time with the consent and approval of a majority interest of the members as set forth in the Agreement. Profits and losses are, in general terms, allocated to the members on a pro rata basis based on their respective membership interest. Managing members have additional rights, powers, and authority as part of their ownership interest in the Company.

### **4. Due from Clearing Broker**

The Company clears all of its proprietary and customer transactions through National Financial Services LLC on a fully disclosed basis. Due from clearing broker represents cash balances at the clearing broker. Certain balances at the Company's clearing broker are restricted to comply with the Company's agreement with the clearing broker.

The Company conducts business with brokers and dealers that are members of the major securities exchanges. The Company has a policy of reviewing, as considered necessary, the credit standing of each broker with which it conducts business.

# BANYAN SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENT

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### 5. Execution Services

In the normal course of business, the Company provides its customers with trade execution services. The Company is generally compensated for such services as part of the commission charged to its customers.

### 6. Concentration Risk

For the year ended December 31, 2012, nine customer accounts comprised 72% of the Company's total commission revenues.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company maintains its cash balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

### 7. Commitments and Contingencies

#### *Clearing Broker Agreement*

The Company's agreement with its clearing broker requires the Company to maintain minimum net capital, as defined by the SEC Uniform Net Capital Rule 15c3-1 of at least \$100,000, an aggregate indebtedness ratio, also defined, not to exceed 10 to 1 (see Note 10), and a minimum deposit of cash or securities totaling \$100,000. Commissions receivable from the clearing broker may be applied to satisfy the deposit requirement.

#### *Leases*

The Company leases office space pursuant to a long-term lease agreement with minimum annual rental payments. The lease is subject to escalation clauses, operating expenses and real estate taxes. A portion of the office space is subleased to other companies. Sublease agreements are renewed annually and are currently set to expire on July 31, 2013. The occupancy expense for the year ended December 31, 2012 was \$425,076, which is net of sublease income and reimbursed occupancy expenses received of \$166,500.

At December 31, 2012, the Company's remaining future minimum lease commitments and sublease income are as follows:

	<b>Minimum Annual Rental Payments</b>	<b>Minimum Sublease Income</b>	<b>Net</b>
2013	\$ 420,439	\$ 67,243	\$ 353,196
2014	249,643	-	249,643
Total	<u>\$ 670,082</u>	<u>\$ 67,243</u>	<u>\$ 602,839</u>

# **BANYAN SECURITIES, LLC**

## **NOTES TO FINANCIAL STATEMENT**

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### **8. Exemption from Rule 15c3-3**

The Company is exempt from the SEC Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

### **9. Profit Sharing Plan**

The Company has a qualified retirement multiemployer plan, commonly referred to as the 401(k) Plan (the "Plan"), which covers substantially all of its full-time employees who have at least 1,000 hours of service with the Company.

The Plan includes employee contributions and matching contributions by the Company, subject to certain limitations. In addition, the Company may contribute additional amounts to the Plan, at its discretion, based on its profits for the year. The Company contributed \$11,700 to the Plan for the year ended December 31, 2012.

### **10. Net Capital Requirements**

As a registered broker-dealer with the SEC and the FINRA, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule") which requires the maintenance of minimum net capital equal to or the greater of \$100,000 or 6-2/3% of aggregate indebtedness, both as defined by the Rule. At December 31, 2012, the Company had net capital of \$527,219, which was \$427,219 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 0.26 to 1.

### **11. Financial Instruments with Off-Balance Sheet Risk**

The Company engages in short selling activities from time to time throughout the year, wherein it borrows securities and sells them to third parties. Until the Company covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices that may be significantly higher than the fair value reflected in the statement of financial condition. The Company's marketable securities owned and receivables from clearing broker may be restricted to the extent of the value of the short securities.