

AB
2/27

2/27/13

SE



13011436

MISSION

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

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

SEC FILE NUMBER
8- 68792

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 10/19/2011 AND ENDING 12/31/2012
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Palazzo Securities, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

145 West 57th Street, 17th Floor

(No. and Street)

New York

NY

10019

(City)

(State)

(Zip Code)

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

Philip Palazzo

212-402-9010

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WithumSmith+Brown, PC

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

1411 Broadway, 9th Floor

New York

New York

10018

(Address)

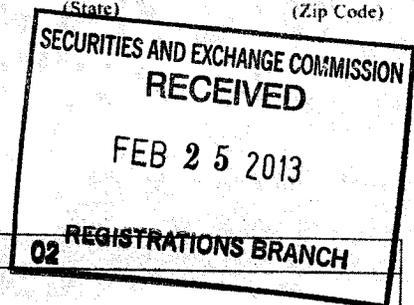
(City)

(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

02

*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.

59
2/27/13

OATH OR AFFIRMATION

I, Philip Palazzo, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Palazzo Securities, LLC, as of December, 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:

JOEL JEAN BAPTISTE
Notary Public - State of New York
No. 01JE6259989
Qualified in Kings County
My Commission Expires Apr. 16, 2016

[Signature]
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).



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

SEC
Mail Processing
Section

FEB 25 2013

Washington DC
402

PALAZZO SECURITIES LLC

**Statement of Financial Condition as of
December 31, 2012 and Independent
Auditor's Report**

PALAZZO SECURITIES LLC

**Statement of Financial Condition as of
December 31, 2012 and Independent
Auditor's Report**

**This report is filed as a PUBLIC document in accordance with
rule 17a-5(e)(3) under the Securities Exchange Act of 1934**

Palazzo Securities LLC
Contents
December 31, 2012

	Page(s)
Independent Auditors' Report.....	2-3
Statement of Financial Condition	4
Notes to Statement of Financial Condition.....	5-6



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

1411 Broadway, 9th Floor
New York, New York 10018 USA
212 751 9100 . fax 212 750 3262
www.withum.com

Additional Offices in New Jersey,
Pennsylvania, Maryland,
Florida, and Colorado

Independent Auditors' Report

Palazzo Securities, LLC
New York, New York

Report on the Financial Statement

We have audited the accompanying statement of financial condition of Palazzo Securities, LLC as of December 31, 2012, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity'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 financial statement.

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

William Smith Brown P. C.

February 18, 2013

Palazzo Securities LLC
Statement of Financial Condition
December 31, 2012

Assets

Cash	\$ 49,218
Advisory fees receivable	50,000
Prepaid expenses	<u>2,998</u>

Total assets \$ 102,216

Liabilities and Member's Equity

Liabilities

Accrued liabilities	<u>\$ 23,179</u>
---------------------	------------------

Member's equity 79,037

Total liabilities and member's equity \$ 102,216

See notes to the statement of financial condition.

Palazzo Securities LLC
Notes to Statement of Financial Condition
December 31, 2012

1. Organization

Palazzo Securities LLC (the "Company") is a New York limited liability company whose sole member is P A Palazzo LLC (the "Parent"), a New York limited liability company. The Company, established January 7, 2011, is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA") and commenced operations October 19, 2011. The Company does not carry customer accounts. The Company is primarily engaged in providing financial advisory services to business entities (and the buyers, investors and lenders to such entities) engaged in a variety of financial transactions.

Member's personal liability for debts is generally limited similarly to shareholder's liability for corporate debts.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements of the Company have been prepared on the accrual basis of accounting.

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.

Allowance for Doubtful Accounts

Periodically, the Company evaluates its accounts receivable and, if applicable, provides for an allowance for doubtful accounts equal to amounts estimated to be uncollectible. The Company's estimate is based on a review of the current status of the individual accounts receivable.

Income taxes

The Company is not subject to federal income taxes. All taxable income (loss) and tax credits are reported on the tax returns of the Parent company. The Parent has no open tax years subject to examination prior to December 31, 2011 and has not been subject to any significant income tax related penalties or interest for period presented in these financial statements. At December 31, 2012, the Company has not recognized any contingencies in the financial statements related to uncertain tax positions. There are no penalties or interest for the year ended December 31, 2012.

Evaluation of subsequent events

The Company has evaluated subsequent events through February 18, 2013, the date the financial statements were available for issuance. Based on this evaluation the Company has determined that no subsequent events have occurred.

Palazzo Securities LLC
Notes to Statement of Financial Condition
December 31, 2012

3. Concentration

Three clients each comprise 30% of advisory fees receivable at December 31, 2012.

4. Related Party Transactions – Allocated Expenses

The Company and the Parent have entered into an administrative services agreement in a manner consistent with Securities and Exchange Commission (SEC) Rules 15c3-17a-3, 17a-4 and 17a-5 and other relevant SEC and Financial Industry Regulatory Authority (FINRA) regulations and interpretations, whereas the Parent agrees to pay certain of the administrative and other expenses relating to the operation of the Company and the Company will reimburse the Parent for such expenses. Subsequent thereto, the Company and the Parent have entered into multiple agreements whereby the Parent has agreed to forego payment from the Company and the Company has accepted such debt forgiveness as additional capital contributions.

5. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, as both defined, shall not exceed 15 to 1 (8 to 1 during the initial year of operation). In accordance with the Rule, the Company is required to maintain defined minimum net capital equal to the greater of \$5,000 or 1/15 of aggregate indebtedness.

At December 31, 2012, the Company had net capital, as defined, of \$26,039, which exceeded the required minimum net capital of \$5,000 by \$21,039. Aggregate indebtedness at December 31, 2012 totaled \$23,179. The ratio of aggregate indebtedness to net capital was .89 to 1.