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

SEC FILE NUMBER
8- 51871

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Legacy Asset Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1800 West Loop South, Suite 1790

(No. and Street)

Houston

Texas

77027

(City)

(State)

(Zip Code)

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

Joseph R. Birkofer

713-355-7171

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Weinstein Spira & Company, P.C.

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

Three Greenway Plaza, Suite 1700

Houston

Texas

77046

(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)

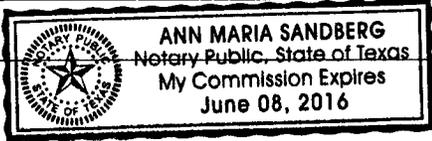
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OATH OR AFFIRMATION

I, Joseph R. Birkofer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Legacy Asset Securities, Inc., 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:



[Handwritten Signature]  
Signature  
President  
Title

Ann Maria Sandberg  
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 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.
- (o) Independent Auditors' Report on Internal Control.

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

**LEGACY ASSET SECURITIES, INC.**

**Houston, Texas**

**ANNUAL FINANCIAL REPORT**

**December 31, 2012**

**WEINSTEIN  
SPIRA  
& COMPANY**

**Certified Public Accountants  
and Business Advisors**

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Certified Public Accountants  
and Business Advisors

## Independent Auditors' Report

To the Board of Directors  
Legacy Asset Securities, Inc.  
Houston, Texas

We have audited the accompanying Statement of Financial Condition of Legacy Asset Securities, Inc. as of December 31, 2012, and the related Statement of Income, Statement of Changes in Shareholders' Equity, and Statement of Cash Flows for the year then ended, and the related notes to the financial statements, that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934.

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

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditors' Responsibility***

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Asset Securities, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3, the Company has significant transactions with a related party. Our opinion is not modified with respect to this matter.

### ***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in Schedules I and II is presented for the purpose 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 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 in Schedules I and II 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 in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

*Weinstein Spira & Company, P.C.*

WEINSTEIN SPIRA & COMPANY, P.C.  
Houston, Texas  
February 22, 2013

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2012**

**ASSETS**

<b>Cash and Cash Equivalents</b>	\$ 1,295	
<b>Cash Deposit with Clearing Organization</b>	60,497	\$ 61,792

**LIABILITIES**

<b>Accounts Payable</b>		\$ 911
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**SHAREHOLDERS' EQUITY**

<b>Common Stock</b> - par value \$.001, 1,000,000 shares authorized, issued and outstanding	\$ 1,000	
<b>Additional Paid-In Capital</b>	59,018	
<b>Retained Earnings</b>	863	60,881
		\$ 61,792

See accompanying notes to financial statements and independent auditors' report.

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2012**

**Income**

Commissions	\$ 287,426	
Forgiveness of payable to affiliated company	201,288	
Interest	<u>6</u>	\$ 488,720

**Expenses**

Office services expenses to affiliated company	353,491	
Other operating expenses	<u>134,366</u>	<u>487,857</u>

**Net Income**

\$ 863

See accompanying notes to financial statements and independent auditors' report.

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2012**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
<b>Balance - December 31, 2011</b>	\$ 1,000	\$ 56,018	\$ -	\$ 57,018
Net income			863	863
Contribution of capital		3,000		3,000
<b>Balance - December 31, 2012</b>	<u>\$ 1,000</u>	<u>\$ 59,018</u>	<u>\$ 863</u>	<u>\$ 60,881</u>

See accompanying notes to financial statements and independent auditors' report.

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2012**

<b>Cash Flows From Operating Activities</b>	
Net income	\$ 863
Adjustments to reconcile net income to net cash used in operating activities:	
Increase in accounts payable	7
Increase in cash deposit with clearing organization	<u>(3,006)</u>
<b>Net Cash Used In Operating Activities</b>	(2,136)
<b>Cash Flows From Financing Activities</b>	
Contribution of capital	<u>3,000</u>
<b>Net Cash Provided By Financing Activities</b>	<u>3,000</u>
<b>Net Increase in Cash and Cash Equivalents</b>	864
Cash and Cash Equivalents - Beginning of Year	<u>431</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 1,295</u></u>

See accompanying notes to financial statements and independent auditors' report.

**LEGACY ASSET SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**Note 1 - Accounting Policies and Description of Business**

Legacy Asset Securities, Inc. (the Company) maintains its accounts on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Accounting principles followed by the Company and the methods of applying those principles which materially affect the determination of financial position, results of operations and cash flows are summarized below:

**Description of Business**

The Company, located in Houston, Texas, is a private investment banking firm and fully-disclosed securities broker-dealer. The Company is registered as a broker-dealer with the Securities and Exchange Commission, and is a member of the Financial Industry Regulatory Authority (FINRA). In performing securities trading, the Company acts as an introducing broker whereby all trades are cleared on a fully-disclosed basis by a clearing broker. The Company does not maintain any customer accounts and does not retain custody of any customer assets.

**Statement Presentation**

An unclassified statement of financial condition is presented in accordance with industry standards.

**Income Recognition**

Transactional commissions are recognized when trades settle, and receivables are recorded at that time. Servicing fee commissions are recognized when received. Interest revenue is recorded when it is earned.

**Cash and Cash Equivalents**

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Cash Deposit with Clearing Organization**

The Company clears all of its customer transactions through another broker-dealer on a fully disclosed basis. This clearing broker-dealer requires a deposit in the amount of \$35,000. As of December 31, 2012, the Company had deposits of \$60,497 with the clearing broker.

**LEGACY ASSET SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2012**

**Income Taxes**

The Company has elected S corporation status for federal income tax purposes. Under S corporation regulations, net income or loss is reportable for tax purposes by the shareholders. Accordingly, no federal income taxes are included in the accompanying financial statements. In 2012, the Company was not subject to income taxes in the state of Texas since its gross receipts were under the minimum taxable amount imposed by the state.

Management of the Company considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for potential changes that management believes are more-likely-than-not to occur upon examination by tax authorities, including changes to the Company's status as an S Corporation. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Company's policy is to recognize interest and penalties, if any, related to any underpayment of taxes and penalties in interest expense and operating expenses, respectively.

**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.

**Subsequent Events**

Subsequent events are events or transactions that occur after the end of the reporting period but before the financial statements are issued or are available to be issued to determine the accounting for and disclosure of transactions and events that affect the financial statements. Management has evaluated subsequent events through February 22, 2013, which is the date the financial statements were available to be issued.

**LEGACY ASSET SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2012**

**Note 2 - Net Capital Requirements**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

There were no material inadequacies found to exist in the computation of the ratio of aggregate indebtedness to net capital at December 31, 2012, or in the procedures followed in making the periodic computation required. At December 31, 2012, the Company had net capital of \$60,881 and a net capital requirement of \$50,000. The Company's ratio of aggregate indebtedness to net capital was .015 to 1. The Securities and Exchange Commission permits a ratio for the Company at this time of no greater than 15 to 1.

**Note 3 - Related Parties Transactions**

The Company has entered into an expense-sharing agreement for general office services with Legacy Asset Management, Inc., a party related through common ownership. The Company recorded office services expenses of \$353,491 for the year ended December 31, 2012 in connection with this agreement. Also, in accordance with the expense-sharing agreement, \$201,288 of these expenses were forgiven by Legacy Asset Management, Inc. for the year ended December 31, 2012. The expenses covered in the agreement include, but are not limited to, office space, clerical support and communications systems.

**Note 4 - Profit Sharing Plan**

The Company is an adopting employer of the Legacy Asset Management Retirement Plan (the Plan), which is available for all eligible employees, as defined by the plan document. Under the Plan, the Company makes matching contributions equal to 100% of each employee's salary deferral that does not exceed 3% of the employee's compensation, plus 50% of the employee's salary deferral between 3% and 5% of the employee's compensation. For the year ended December 31, 2012, the Company made matching contributions of approximately \$1,300.

## **SUPPLEMENTARY INFORMATION**

**SCHEDULE I**  
**LEGACY ASSET SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2012**

<b>Net Capital</b>	
Total Shareholders' Capital Qualified for Net Capital	<u>\$ 60,881</u>
<b>Total Capital and Allowable Subordinated Liabilities</b>	60,881
<b>Deductions and/or Charges</b>	
Nonallowable assets:	
Securities not readily marketable	<u>                    </u>
<b>Net Capital Before Haircuts on Securities Positions</b>	60,881
Haircuts on Securities Positions	<u>                    </u>
<b>Net Capital</b>	<u><u>\$ 60,881</u></u>
<b>Aggregate Indebtedness</b>	<u><u>\$ 911</u></u>
<b>Computation of Basic Net Capital Requirements</b>	
Minimum Net Capital Required (6.67% of total aggregate indebtedness)	<u><u>\$ 61</u></u>
Minimum Dollar Net Capital Requirement	<u><u>\$ 50,000</u></u>
Net Capital Requirement (greater of above two minimum requirement amounts)	<u><u>\$ 50,000</u></u>
Excess Net Capital	<u><u>\$ 10,881</u></u>
Ratio: Aggregate Indebtedness to Net Capital	<u><u>.015 to 1</u></u>

See independent auditors' report.

**SCHEDULE II**  
**LEGACY ASSET SECURITIES, INC.**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**AND INFORMATION RELATING TO POSSESSION OR CONTROL OF SECURITIES**  
**UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2012**

**Exemption Provisions**

The Company has claimed an exemption from Rule 15c3-3 under Section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully-disclosed basis.



Certified Public Accountants  
and Business Advisors

**Independent Auditors' Report on Internal  
Control Required by SEC Rule 17a-5(g)(1) for a  
Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

To the Board of Directors  
Legacy Asset Securities, Inc.  
Houston, Texas

In planning and performing our audit of the financial statements of Legacy Asset Securities, Inc. (the Company) as of and for the year ended December 31, 2012, 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 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 previously-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.

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, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

Weinstein Spira & Company, P.C.

WEINSTEIN SPIRA & COMPANY, P.C.  
Houston, Texas  
February 22, 2013