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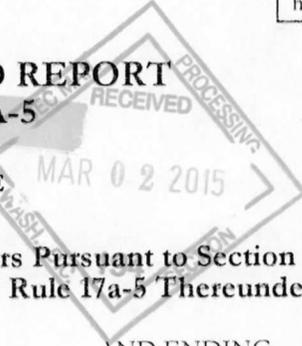


UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
FACING PAGE**

SEC FILE NUMBER  
8-66578



**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 1/01/14 AND ENDING 12/31/14  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

Charles River Brokerage, LLC.:  
7 New England Executive Park, Burlington, MA 01803

OFFICIAL USE ONLY  
FIRM ID. NO.

(No. and Street)

(City)

(State)

(Zip Code)

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

Stephen L. Schardin, Managing Director – President (781) 425-3101  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Grant Thornton LLP

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

75 State Street, 13<sup>th</sup> Floor, Boston Massachusetts 02109  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

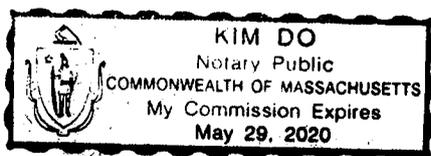
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

PB  
3/14/15

## OATH OR AFFIRMATION

I, Stephen L. Schardin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Charles River Brokerage, LLC, as of December 31, 2014, 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:



*Kim Do*

Notary Public

*Stephen L. Schardin*  
Signature  
PRESIDENT  
Title

This report \*\* contains (check 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).

**CHARLES RIVER BROKERAGE, LLC**

Financial Statements and Supplementary Schedules

(SEC Identification No. 8-66578)

December 31, 2014

(With Report of Independent Registered Public Accounting Firm and Supplemental  
Information)

Filed in Accordance with Rule 17a-5(e)(3) as a Public Document

**CHARLES RIVER BROKERAGE, LLC**  
(SEC Identification No. 8-66578)

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Managing Member of  
Charles River Brokerage, LLC

We have audited the accompanying statement of financial condition of Charles River Brokerage, LLC (a Massachusetts limited liability company) (the "Company") as of December 31, 2014, and the related statements of income, changes in member's equity, and cash flows for the year then ended that are filed 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 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. We were not engaged to perform an audit of the Company's 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 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 Charles River Brokerage, LLC as of December 31, 2014, 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.

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The information contained in Schedules I and II has been subjected to audit procedures performed in conjunction with the audit of Company's basic financial statements. Such supplementary information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the basic financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in Schedules I and II. In forming our opinion on the supplementary information, we evaluated whether the information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Grant Thornton LLP*

Boston, Massachusetts

February 27, 2015

**CHARLES RIVER BROKERAGE, LLC**

Statement of Financial Condition

December 31, 2014

(Amounts in Thousands)

**Assets**

Assets:

Cash and cash equivalents	\$	33,559
Marketable security, at fair value (cost \$8)		10
Accounts receivable		853
Revenue earned, not yet billed		1,190
Prepaid expenses and other assets		11
Fixed assets at cost, less accumulated depreciation of (\$236)		3
Total assets	\$	<u>35,626</u>

**Liabilities and Member's Equity**

Liabilities:

Accounts payable and accrued expenses	\$	87
Due to member		18
Deferred compensation		1,017
Total liabilities		<u>1,122</u>

Member's equity

Total liabilities and member's equity	\$	<u>35,626</u>
---------------------------------------	----	---------------

See accompanying notes to financial statements.

**CHARLES RIVER BROKERAGE, LLC**

Statement of Income

Year ended December 31, 2014

(Amounts in Thousands)

Revenue -- commission	\$	10,539
Interest income		3
Net change in unrealized appreciation on marketable security		<u>2</u>
Total revenue		<u>10,544</u>
Expenses:		
Employee compensation and benefits		337
Service fees to member		457
Communications and data processing		13
Exchange and clearance fees		23
Professional fees		70
Depreciation		8
Dues, subscriptions and association fees		23
Other expenses		<u>8</u>
Total expenses		939
Income from operations		9,605
Gain on sale of fixed assets		<u>2</u>
Other income		<u>2</u>
Net Income	\$	<u><u>9,607</u></u>

See accompanying notes to financial statements.

**CHARLES RIVER BROKERAGE, LLC**

Statement of Changes in Member's Equity

Year ended December 31, 2014

(Amounts in Thousands)

	<u>Member's equity</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2013	\$ <u>250</u>	<u>24,647</u>	<u>24,897</u>
Net income		9,607	9,607
Balance at December 31, 2014	<u>250</u>	<u>34,254</u>	<u>34,504</u>

See accompanying notes to financial statements.

**CHARLES RIVER BROKERAGE, LLC**

Statement of Cash Flows

Year ended December 31, 2014

(Amounts in Thousands)

Cash flows from operating activities:	
Net income	\$ 9,607
Adjustments to reconcile net income to net cash provided by operating activities:	
Noncash deferred compensation expense	70
Depreciation	8
Change in unrealized gain on marketable security	(2)
Changes in operating assets and liabilities:	
Accounts receivable	(127)
Revenue earned, not yet billed	(402)
Prepaid expenses and other assets	28
Due to member	(10)
Accounts payable and accrued expenses	(29)
Net cash provided by operating activities	<u>9,143</u>
Net increase in cash and cash equivalents	9,143
Cash and cash equivalents, beginning of year	<u>24,416</u>
Cash and cash equivalents, end of year	<u>\$ 33,559</u>

See accompanying notes to financial statements.

# CHARLES RIVER BROKERAGE, LLC

## Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

### Organization and Nature of Business

Charles River Brokerage, LLC (the Company) was organized as a single member limited liability company (SMLLC) under the laws of the Commonwealth of Massachusetts on March 25, 2004. The Company is a wholly owned subsidiary of Charles River Systems, Inc. (the Member) and operates under the terms of a Single Member Operating Agreement dated April 1, 2004, as amended on April 1, 2009. Under this form of organization, the Member's liability for the debts of the Company is limited. The Company commenced operations on November 3, 2004 (Inception).

The Company is registered as a broker-dealer in securities under the Securities and Exchange Act of 1934 (Act) and is a nonclearing member of the Financial Industry Regulatory Authority. The Company does not carry customer accounts and is accordingly exempt from Rule 15c3-3 (the Customer Protection Rule) of the Securities and Exchange Act of 1934 (the Act) pursuant to Section (k)(2)(i) of the Customer Protection Rule. The Company enters into Interface Testing and Maintenance Agreements (ITMA) with other broker dealers, whereby the Company receives commissions on certain trades executed by such broker dealers. Additionally, the Company can act as a soft-dollar broker-dealer for institutions making soft dollar payments under the Safe Harbor provision of Section 28(e) of the Securities Exchange Act of 1934 for research and brokerage services relating to, but not limited to, the Investment Management Systems (IMS) provided by the Member. However, the Company has not earned any revenue acting as a soft-dollar broker since inception.

The Company receives significant support from the Member. The Member provides information technology support and accounting and other back-office services under a Service Agreement dated as amended April 1, 2009 (the Service Agreement) as described in note 4 to the financial statements. The Member also makes payments for expenses incurred by the Company in the normal course of business. At December 31, 2014, the Company had a net due to the Member of \$18 resulting from services provided and vendor payments made by the Member on behalf of the Company.

The accompanying financial statement have been prepared from the separate records maintained by the Company's Member and may not necessarily be indicative of the financial condition of the Company that would have existed if the Company had operated as an unaffiliated company.

### (1) Summary of Significant Accounting Policies

#### (a) *Cash and Cash Equivalents*

For purposes of the statement of financial condition, the Company considers all highly liquid investments purchased with an original maturity of ninety days or less at the time of purchase to be cash equivalents. Included in cash and cash equivalents at December 31, 2014 is \$33,559 invested in a U.S. Treasury obligations money market fund.

#### (b) *Fair Value Measurement*

The Company utilizes various methods to measure the fair value of its investments on a recurring basis. US GAAP establishes a hierarchy that prioritizes inputs to valuation methods. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

price) in an orderly transaction between market participants at the measurement date. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 -- Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments in securities listed on a national exchange are valued at the composite close price on the day of valuation. Securities traded in the over-the-counter market and listed securities for which no sale is reported on that date are stated at a mean of the current bid and asked prices. The resulting unrealized gains and losses are reflected in the statement of operations. Realized gains and losses from securities transactions are determined on the basis of identified cost.

The Company's cash equivalents represent U.S. Treasury obligations money market mutual fund.

Our marketable security consists of an investment in a single stock and is classified as a trading security, which is recorded at fair value based on the closing price as of December 31, 2014

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

The following table represents the Company's fair value hierarchy for its cash equivalent, marketable security, and deferred compensation as of December 31, 2014.

Valuation Inputs	2014		
	Assets		Liabilities
	Cash Equivalent	Marketable Security	Deferred Compensation
Level 1 - Quoted Prices	\$ 32,935	\$ 10	\$ -
Level 2 - Other Significant Observable Inputs	-	-	-
Level 3 - Significant Unobservable Inputs	-	-	1,017
	\$ 32,935	\$ 10	\$ 1,017

Changes in valuation techniques may result in transfers in or out of currently assigned levels within the hierarchy. The Company recognizes transfers at the end of the reporting period. There were no transfers between Level 1, 2, or 3 in 2014.

The following table sets forth a reconciliation of deferred compensation measured at fair value on a recurring basis with the use of significant unobservable inputs (Level3):

	Level 3 Year ended 2014
Beginning balance	\$ 947
Change in fair value	70
Ending balance	\$ 1,017

**(c) Accounts Receivable**

Accounts receivable are derived from fees to customers under the Company's ITMAs. The Company provides credit in the normal course of business, primarily to large financial services companies and to smaller broker dealers. The Company does not require collateral or other security. The Company maintains reserves for potential credit losses when necessary and determined that no allowance for doubtful accounts was necessary at year end.

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

**(d) Fixed Assets**

Fixed assets are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated economic lives of assets as follows:

	<b>Estimated life (years)</b>
Computer software and hardware	3
Telecommunications equipment	5
Furniture, fixtures and equipment	10

Expenditures for additions, renewals and betterment of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. As assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

**(e) Revenue Recognition**

Revenue is recognized when persuasive evidence of an arrangement exists, the Company has satisfied its performance obligations, the fee is fixed or determinable and collectibility is reasonably assured. The Company receives shared commissions from other broker-dealer customers under its ITMA contracts as its only revenue source. These amounts are recognized when the underlying transaction is completed under the terms of such engagements.

**(f) Income Taxes**

As an SMLLC, the Company is treated as a disregarded entity (i.e. branch) for federal and state tax purposes. Any taxes imposed on the income of the SMLLC are either borne by the Member or its shareholder on its related tax return.

The Company is wholly owned by an S corporation. S Corporations are generally not subject to federal and certain state income taxes. The tax income is passed through to the stockholders. Certain states do not follow the federal treatment and have an entity level tax. The amount of state income taxes that would have been recorded had the Company been subjected to the tax is estimated at \$330 for 2014. For presentation purposes, the Company utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. The

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

amount of deferred income tax assets which would be recorded if the Company was a S corporation at December 31, 2014 was \$28.

The Company adopted and implemented Generally Accepted Accounting Principles (GAAP) guidance pertaining to Accounting for Uncertainty in Income taxes for its annual financial statements on January 1, 2009. The Company evaluated its uncertain tax positions as of December 31, 2014, and concluded that it had no significant uncertain tax positions for which it is not reasonably possible that the amounts of unrecognized tax benefits will significantly change in the next twelve months. As such, no differences have been recognized and no significant adjustments are expected in the next twelve months. The Company's tax years beginning 2011 to 2013 remain subject to examination by the taxing authorities. The Company would include interest and penalties, if applicable in income tax expense.

**(2) Use of Estimates**

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement. Actual results could vary from these amounts. The Company's significant estimates include the recoverability of its accounts receivable and revenue earned, not yet billed as well as the valuation of the Member's stock used in determining the deferred compensation expense.

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

**(3) Fixed Assets**

Fixed assets are carried at cost less accumulated depreciation and depreciated using the straight-line method over the estimated economic life of the asset. Expenditures for maintenance and repairs are recognized as expenses in the statement of income when incurred, while additions and improvements are capitalized.

Fixed assets consisted of the following at December 31, 2014:

Furniture and fixtures	\$	4
Computer hardware		173
Telecommunications equipment		16
Computer software		46
		<hr/>
		239
Less accumulated depreciation and amortization		<hr/>
		(236)
	\$	<hr/>
		3
		<hr/>

Depreciation expense was \$8 during 2014.

**(4) Related-Party Transactions**

The Company has a Service Agreement with the Member to facilitate the allocation of shared expenses as well as certain direct expenses incurred by the Member on behalf of the Company. The basis of the allocation is determined based on headcount, hourly rates, etc. which is in accordance with the Service Agreement. These expenses include compensation, software and hardware, communication, accounting, legal and other general overhead costs. For the year ended, the Member allocated to expenses in the amount of \$457 to the Company. The Company also participates in the Member's 401(k) benefit plan. The Member has a defined contribution plan (Internal Revenue Code Section 401(k) plan) covering substantially all employees of the Company. The Member matches a portion of the participant's voluntary contributions.

**(5) Deferred Compensation Awards**

The Member provides awards to employees of the Company which are granted under the Charles River Systems, Inc. Phantom Stock Unit Plan. These awards are accounted for as liability type awards. Under the liability method, compensation expense is recorded at each reporting period based on the estimated fair value, as determined by the Board of Directors of the Member, of the vested portion of stock options or Phantom Units less the exercise value. The Company's compensation expense related to the Phantom units was \$70 in 2014, which is included in employee compensation and benefits in the statement of income. The plan is administered by the Board of Directors of the Member including the determination of the number of units to be awarded under the plan. Units awarded under the plan are subject to vesting requirements and certain triggering events. All units were 100% vested as of December 31, 2014.

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands, except price and unit)

There were no forfeitures of awards in 2014 and no additional awards granted to employees in 2014.

The Phantom Stock Unit Plan activity is summarized below.

	Qualified Phantom Stock Units	Exercise Price Range of Applicable Unit Values	Weighted Average Exercise Price Average grant value per Unit
Outstanding, December 31, 2013	<u>20,450</u>	6.12 - 29.91	\$18.24
Granted	-	-	-
Forfeitures	-	-	-
Outstanding, December 31, 2014	<u>20,450</u>	6.12 - 29.91	\$18.24

**(6) Indemnifications**

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these agreements is unknown. However, the Company has not had any claims or losses pursuant to these contracts and expects the risk of loss to be remote.

**(7) Concentrations of Credit Risk**

As of December 31, 2014, two customers accounted for 26.98% of the Company's accounts receivable, and two customers accounted for 28.44% of the Company's revenue earned not yet billed and one customer accounted for 10.15% of the Company's revenue.

During the year ended 2014, the Company maintained substantially all of its U.S. demand deposit accounts and money market accounts with a major bank and a leading mutual fund company. During the year, these accounts had balances in excess of federal insured limits. The Company has not experienced any losses in these accounts.

**CHARLES RIVER BROKERAGE, LLC**

Notes to Financial Statements

December 31, 2014

(Amounts in Thousands)

**(8) Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the percentage of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2014, the Company had net capital of \$33,504 which was \$33,429 in excess of its minimum net capital required of \$75. The Company's ratio of aggregate indebtedness to net capital as of December 31, 2014 was .10 to 1.

The Company is exempt from the reserve requirements of Rule 15c3-3 since it does not carry customer margin accounts.

**(9) Subsequent Events**

The Company has evaluated events and transactions that have occurred subsequent to December 31, 2014 through the date of issuance of the financial statements, for potential recognition or disclosure in these financial statements.

## CHARLES RIVER BROKERAGE, LLC

Computation of Net Capital Pursuant to Rule 15c3-1  
of the Securities and Exchange Commission

December 31, 2014

(Amounts in Thousands)

Net capital		
Member's equity per statement of financial condition	\$	34,504
Deductions:		
Nonallowable assets:		
Accounts receivable		272
Revenue earned, not yet billed		54
Equipment		3
Prepaid expenses and other assets		11
		<u>340</u>
Net capital before haircuts on securities positions (tentative net capital)		<u>34,164</u>
Haircuts on securities:		
Marketable security (15% LT Investments)		1
Money market fund (2% Cash Equivalents)		659
		<u>660</u>
Net Capital		<u>33,504</u>
Computation of basic net capital requirement:		
Minimum net capital required of broker dealer (the greater of 6 $\frac{2}{3}$ % of total aggregate indebtedness but not less than \$5,000)		75
Excess net capital	\$	<u>33,429</u>
Total aggregate indebtedness	\$	1,122
Ratio aggregate indebtedness to net capital		3.35%

See accompanying report of independent registered public accounting firm.

*There are no material differences between the amounts presented in this computation of net capital, which is the same as the amended FOCUS filed on February 23, 2015, and the corresponding amounts prepared by the Company as the same date for inclusion in its unaudited Form X-17A-5 Part 11A FOCUS filing filed on January 26, 2015.*

**CHARLES RIVER BROKERAGE, LLC**

Computation for Determination of Reserve Requirement  
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2014

The Company is exempt from the provision of Rule 15c3-3 as of December 31, 2014 under the Securities and Exchange Act of 1934 under the paragraph (k)(2)(i) of that rule, in that the Company's activities are limited to those set forth in the conditions for exemption. Accordingly, the computations for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirements are not applicable. In the opinion of management, the Company has complied with the exemption provision of Rule 15c3-3 throughout the year ended December 31, 2014.