

L2. DM



Me

17008398

N

| OMB APPROVAL  |              |
|---|--------------|
| OMB Number:   | 3235-0123    |
| Expires:  | May 31, 2017 |
| Estimated average burden<br>hours per response..... | 12.00        |

MAR ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III  
 Washington DC  
 406

| SEC FILE NUMBER |
|-----------------|
| 8-69279         |

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 01-01-16 AND ENDING 12-31-16  
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ALTERNATIVE EXECUTION GROUP  
DBA/ Three Brothers Trading LLC  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

| OFFICIAL USE ONLY |
|-------------------|
| FIRM I.D. NO.     |

708 THIRD AVENUE - 6TH FLOOR  
 (No. and Street)  
NEW YORK NY 10017  
 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
RICHARD ALTER 212-209-3911  
 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

BS BORGER'S CPA PC  
 (Name - if individual, state last, first, middle name)  
5400 WEST CEDAR AVE LAKEWOOD CO 80226  
 (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)

RMS

**ALTERNATIVE EXECUTION GROUP**

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

**SEC FILE NO. 8-69279**

**YEAR ENDED DECEMBER 31, 2016**

**AND**

**REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

# ALTERNATIVE EXECUTION GROUP

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| <b>Report of Independent Registered Public Accounting Firm .....</b>   | <b>1</b>    |
| <b>Oath or Affirmation to Financial Statements .....</b>   | <b>2</b>    |
| <b>Financial Statements</b>  |             |
| Statement of Financial Condition .....   | 3           |
| Statement of Income .....  | 4           |
| Statement of Changes in Member's Equity .....  | 5           |
| Statement of Cash Flows .....  | 6           |
| Notes to Financial Statements .....  | 7-9         |
| <b>Supplemental Information</b>  |             |
| Schedule I - Computation of Net Capital under Rule 15c3-1<br>of the Securities and Exchange Commission .....         | 10          |
| Report of Independent Registered Public Accounting Firm .....  | 11          |
| Statement of Exemption from SEC Rule 15c3-3 .....  | 12          |
| Independent Accountants' Agreed-Upon Procedures<br>Report on Schedule of Assessment and Payments (Form SIPC-7) ..... | 13          |
| Securities Investor Protection Corporation Schedule of<br>Assessment and Payments .....                              | 14          |



## Report of Independent Registered Public Accounting Firm

The Board of Directors of  
Alternative Execution Group

We have audited the accompanying statement of financial condition of Alternative Execution Group (the "Company") as of December 31, 2016, and the related statements of operations, changes in shareholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities 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. 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 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 Alternative Execution Group as of December 31, 2016, 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.

The information contained in the supplemental schedule listed in the accompanying index has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the 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 the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*B F Borgers CPA PC*

Lakewood, Colorado  
February 28, 2017

OATH OR AFFIRMATION

I, Richard Alter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ALTERNATIVE EXECUTION GROUP, as of DECEMBER 31, 2016, 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:

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



Richard Alter  
Signature  
CEO  
Title

Jessica Guadalupe  
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.

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

**ALTERNATIVE EXECUTION GROUP**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2016**

**ASSETS**

|                                 |                     |
|---------------------------------|---------------------|
| Cash                            | \$ 325,237          |
| Due from clearing broker        | 1,048,839           |
| Securities owned, at fair value | 503,330             |
| Property and equipment - net    | 5,767               |
| Other                           | 22,072              |
| <b>TOTAL ASSETS</b>             | <b>\$ 1,905,245</b> |

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

|  |                |
|--|----------------|
| Accounts payable and accrued expenses            | 65,220         |
| Due to Member                                    | 42,019         |
| Securities sold not yet purchased, at fair value | 33,098         |
| Non-Customer payable                             | 150,000        |
|  | <u>290,337</u> |

|  |                     |
|--|---------------------|
| <b>MEMBERS' EQUITY</b>                       | <u>1,614,908</u>    |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b> | <b>\$ 1,905,245</b> |

*See notes to financial statement.*

**ALTERNATIVE EXECUTION GROUP**

**STATEMENT OF INCOME**

**YEAR ENDED DECEMBER 31, 2016**

**Revenues**

|                       |                  |
|-----------------------|------------------|
| Trading Income        | \$ 1,316,246     |
| Access Fees, net      | 63,907           |
| Interest Income       | 198              |
| Other                 | 2,141            |
| <b>TOTAL REVENUES</b> | <b>1,382,492</b> |

**Expenses**

|                                    |                   |
|------------------------------------|-------------------|
| Employee Compensation and Benefits | 333,315           |
| Trading and Execution Services     | 197,282           |
| Occupancy Costs                    | 43,666            |
| Professional Fees                  | 65,424            |
| Clearance Charges                  | 158,962           |
| Regulatory Costs                   | 21,225            |
| Market Data                        | 31,536            |
| Other Expense                      | 55,911            |
| <b>TOTAL EXPENSES</b>              | <b>907,321</b>    |
| <b>NET INCOME</b>                  | <b>\$ 475,171</b> |

*See notes to financial statement.*

**ALTERNATIVE EXECUTION GROUP**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2016**

|                            |              |
|----------------------------|--------------|
| Balance, January 1, 2016   | \$ 1,489,737 |
| Distributions              | (350,000)    |
| Net Income                 | 475,171      |
| <hr/>                      |              |
| Balance, December 31, 2016 | \$ 1,614,908 |
| <hr/>                      |              |

*See notes to financial statement.*

**ALTERNATIVE EXECUTION GROUP**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2016**

|   |                   |
|---|-------------------|
| <b>Cash flows from operating activities</b>                                     |                   |
| Net income  | \$ 475,171        |
| Adjustments to reconcile net income to net cash<br>used by operating activities |                   |
| Changes in assets and liabilities   |                   |
| Clearing receivable   | (231,626)         |
| Securities owned, at fair value   | (503,330)         |
| Purchases of equipment  | (5,767)           |
| Other assets  | (22,072)          |
| Securities sold, not yet purchased, at fair value                               | 33,098            |
| Accounts payable and accrued expenses   | 194,099           |
| <b>Net cash used by operating activities</b>                                    | <b>(60,427)</b>   |
| <b>Cash flows from financing activities</b>                                     |                   |
| Member distributions  | (350,000)         |
| <b>Net cash used by financing activities</b>                                    | <b>(350,000)</b>  |
| <b>Net decrease in cash</b>   | <b>(410,427)</b>  |
| <b>Cash, beginning of year</b>  | <b>735,663</b>    |
| <b>Cash, end of year</b>  | <b>\$ 325,236</b> |

*See notes to financial statement.*

## ALTERNATIVE EXECUTION GROUP

### NOTES TO FINANCIAL STATEMENTS

#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Description of Business**

Alternative Execution Group (the “Company”) became a registered securities broker-dealer on December 4, 2013 with the Securities and Exchange Commission (the “SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), Securities Investors Protection Corporation (“SIPC”), and New York Stock Exchange Archipelago Exchange (“NYSE Arca”).

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The company’s agreements with its clearing brokers provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the “Act”). It also performs all services customarily incident thereon, including the preparation and distribution of customer’s confirmation and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the company is a member.

The Company provides trading execution and market making services in over-the-counter equity securities to other broker-dealers as well as trading execution services to institutional investors and high net worth individuals. The Company maintains markets in over-the-counter equities, including but not limited to National Association of Securities Dealers Automated Quotations (“NASDAQ”) and non-NASDAQ securities.

##### **Use of Estimates**

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions in determining reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

##### **Cash**

The Company maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company’s accounts at these institutions may, at times, exceed the federally insured limits. Cash deposited with a single brokerage institution are insured up to \$500,000 by the Securities Investors Protection Corporation (“SIPC”). The Company has not experienced any losses in these accounts.

##### **Clearing Firm Receivable**

At December 31, 2016, the amount due from the clearing broker represents both cash maintained in a segregated account in the name of the Company as well as trading income receivable. These accounts are held at Apex Clearing Corporation.

##### **Clearing Firm Deposit**

The Company is required to maintain a deposit of \$250,000 under the terms of its fully disclosed clearing agreement with Apex Clearing Corporation.

## ALTERNATIVE EXECUTION GROUP

### NOTES TO FINANCIAL STATEMENTS

#### 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition

The Company records securities transactions and related revenues and expenses on a trade date basis. Realized and unrealized trading gains and losses are reported in the statement of operations.

##### Access Fees

The Company records access fees net of related charges on an accrual basis.

##### Income Taxes

The Company is organized as a New York Limited Liability Company (“LLC”) and is considered a disregarded entity for income tax purposes. As such, the Company does not file a federal or state income tax return, and any income taxes due from the Company are filed with the member’s personal tax return. The Company is, however, subject to the New York City Unincorporated Business Tax.

#### 2 - RELATED PARTY TRANSACTIONS

The Due to Member, included as part of liabilities, represents a payable of \$42,019 to an owner of the Company.

#### 3 - REGULATORY REQUIREMENTS

As a registered broker-dealer, the Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed eight times net capital, as defined, for the first 12 months after commencing business. At December 31, 2016, the Company had net capital of \$1,499,659, which exceeded requirements by \$1,257,659. The ratio of aggregate indebtedness to net capital was 0.17 to 1.

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii).

#### 4 – FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND UNCERTAINTIES

In the normal course of business, the Company’s activities through its clearing broker 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 a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer’s obligations.

In addition, the Company bears the risk of financial failure by its clearing broker. If the clearing broker should cease doing business, the Company’s receivable from this clearing broker could be subject to forfeiture.

The Company’s financial instruments, including cash and cash equivalents, receivables, prepaid expenses and other assets, accounts payable and accrued expenses, commissions and salaries payable and due to broker are carried at amounts that approximate fair value, due to the short-term nature of the instruments.

**ALTERNATIVE EXECUTION GROUP**  
**NOTES TO FINANCIAL STATEMENTS**

**5 – SUBSEQUENT EVENTS**

The Company has performed an evaluation of subsequent events through the date the financial statements were issued. The evaluation did not result in any subsequent events that required disclosures and/or adjustments.

**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934**  
**AS OF DECEMBER 31, 2016**

**ALTERNATIVE EXECUTION GROUP**

**SCHEDULE I**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION**

**AS OF DECEMBER 31, 2016**

|   |                     |
|---|---------------------|
| <b>Computation of net capital</b>   |                     |
| Total members' equity   | \$ 1,614,908        |
| Deductions and/or charges   |                     |
| Property and equipment - net  | (5,767)             |
| Other   | (22,072)            |
| <b>Net capital before haircuts on securities positions</b>                                | <b>1,587,069</b>    |
| Haircuts and undue concentrations   | (87,410)            |
| <b>Net capital</b>  | <b>\$ 1,499,659</b> |
| <b>Computation of aggregate indebtedness</b>  |                     |
| Accrued liabilities and other payables  | \$ 257,239          |
| <b>Aggregate indebtedness</b>   | <b>\$ 257,239</b>   |
| <b>Computation of basic net capital requirement</b>                                       |                     |
| Minimum net capital required (6.67 % of aggregate indebtedness)                           | \$ 17,149           |
| Minimum dollar requirement  | 242,000             |
| <b>Net capital requirement (greater of minimum net capital<br/>or dollar requirement)</b> | <b>\$ 242,000</b>   |
| <b>Excess net capital</b>   | <b>\$ 1,257,659</b> |
| <b>Excess net capital @ 1000%</b>   | <b>\$ 1,561,345</b> |
| <b>Ratio: Aggregate indebtedness to net capital</b>                                       | <b>\$ 0.17</b>      |

There are no material differences between the preceding computation and the Company's corresponding unaudited Form X-17a-5 Part II as of December 31, 2016.

*See report of independent accounting firm.*

## Independent Auditor's Report on Internal Control

### Required by SEC Rule 17A-5 for a Broker-Dealer Claiming Exemption from SEC Rule 15c3-3

The Board of Directors of  
Alternative Execution Group

We have reviewed management's statements, included in the accompanying management assertion statement, in which (1) Alternative Execution Group (the "Company") identified the following provisions of 17 C.F.R. §15c-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3 (2)(ii) (the "exemption provisions") and (2) the Company stated that the Company met the identified exemption provisions throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

B F Boyer CPA PC

Lakewood, Colorado  
February 28, 2017

**ALTERNATIVE EXECUTION GROUP**

**EXEMPTION REPORT**

To Whom It May Concern:

To the best knowledge and belief of Alternative Execution Group (the "Company"), the Company claimed exemption from possession or control requirements of SEC Rule 15c3-3 under subparagraph (k)(2)(ii) for the fiscal year ended December 31, 2016. This sub paragraph states:

(k) EXEMPTIONS

(2) The provisions of this rule shall not be applicable to a broker or dealer:

(ii) Who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of §§ 240.17a-3 and 240.17a-4 of this chapter, as are customarily made and kept by a clearing broker or dealer.

The Company met the identified exemption provisions throughout the most recent fiscal year without exception.

  
\_\_\_\_\_

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES**

The Members of  
Alternative Execution Group

Ladies and Gentlemen:

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 General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2016, which were agreed to by Alternative Execution Group (the "Company"), the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board. 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-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 (FOCUS Report) for the year ended December 31, 2016, with the amounts reported in Form SIPC-7 for the year ended December 31, 2016 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

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.

*B F Boyer* CPA PC  
Lakewood, Colorado  
February 28, 2017

**ALTERNATIVE EXECUTION GROUP**  
**SECURITIES INVESTOR PROTECTION CORPORATION**  
**SCHEDULE OF ASSESSMENT AND PAYMENTS**

**YEAR ENDED DECEMBER 31, 2016**

| <b>Period Covered</b>                            | <b>Date Paid</b> | <b>Amount</b>            |
|--|------------------|--------------------------|
| <hr/>  |                  |                          |
| General assessment reconciliation for the period |                  |                          |
| January 1, 2016 to December 31, 2016             |                  | <u>\$ 3,059</u>          |
|  |                  |                          |
| Payment schedule :                               |                  |                          |
| Paid with SIPC-6                                 | 7/29/2016        | (1,240)                  |
| Paid with SIPC-7                                 | 2/28/2017        | (1,819)                  |
| Total Payments                                   |                  | <u><u>\$ (3,059)</u></u> |

*See independent accountants' agreed upon procedures report on  
schedule of assessment and payments.*