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

SEC FILE NUMBER
8- 65845

**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 January 1, 2009 AND ENDING December 31, 2009
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY
FIRM I.D. NO.

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

10-1/2 E. Washington Street

(No. and Street)

Cleveland

OH

44022

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SS&G Financial Services, Inc.

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

32125 Solon Road

Solon

OH

44139

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

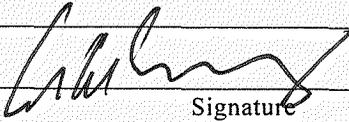
FOR OFFICIAL USE ONLY

*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)

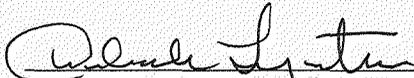
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3/9/2010

OATH OR AFFIRMATION

I, William Vogelgesang, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Candlewood Securities LLC, as of December 31, 2009, 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:


Signature

Executive Vice President and Treasurer
Title


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).

CANDLEWOOD SECURITIES LLC

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Cleveland Office
32125 Solon Road
Cleveland, Ohio 44139
440-248-8787
fax 440-248-0841
www.SSandG.com

Independent Auditors' Report

To the Members
Candlewood Securities LLC

We have audited the accompanying statement of financial condition of Candlewood Securities LLC (the Company) as of December 31, 2009, and the related statements of operations, changes in members' equity, and cash flows for the year then ended that you are filing 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 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Candlewood Securities LLC at December 31, 2009, 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.

SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Cleveland, Ohio
February 15, 2010

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services that
bring solutions*

member of:
OSCPA, PCAOB, the AICPA's
Center for Audit Quality, and
The Leading Edge Alliance.

CANDLEWOOD SECURITIES LLC

STATEMENT OF FINANCIAL CONDITION

	DECEMBER 31, <u>2009</u>
ASSETS	
Cash	\$ 22,830
Prepaid expenses and other assets	<u>4,679</u>
TOTAL ASSETS	<u>\$ 27,509</u>
 LIABILITIES AND MEMBERS' EQUITY	
MEMBERS' EQUITY	<u>\$ 27,509</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 27,509</u>

See accompanying notes to financial statements.

CANDLEWOOD SECURITIES LLC

STATEMENT OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 2009
REVENUES	\$ -
OPERATING EXPENSES	<u>15,746</u>
NET LOSS	<u>\$ (15,746)</u>

See accompanying notes to financial statements.

CANDLEWOOD SECURITIES LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

	FOR THE YEAR ENDED DECEMBER 31, 2009
Balance, January 1, 2009	\$ 28,258
Contributions	14,997
Net Loss	<u>(15,746)</u>
Balance, December 31, 2009	<u>\$ 27,509</u>

See accompanying notes to financial statements.

CANDLEWOOD SECURITIES LLC

STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (15,746)
NET CASH USED IN OPERATING ACTIVITIES	(15,746)
CASH FLOWS FROM FINANCING ACTIVITIES	
Members' contributions	<u>14,997</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>14,997</u>
NET DECREASE IN CASH	(749)
CASH, beginning of year	<u>23,579</u>
CASH, end of year	<u><u>\$ 22,830</u></u>

See accompanying notes to financial statements.

CANDLEWOOD SECURITIES LLC

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies

Business activity

Candlewood Securities LLC (the Company) is a registered broker-dealer under the Securities Exchange Act of 1934.

The Company was formed on September 9, 2002, as an Ohio limited liability company; as such, its members possess limited personal liability for obligations of the Company. The Company will continue to exist perpetually unless terminated earlier by agreement of the members.

As a member of the Financial Industry Regulatory Authority (FINRA), the Company is exempt from the requirements of Rule 15c3-3 of the Securities and Exchange Commission (SEC) because it operates under Section (k)(2)(i) of that Rule.

The Company is required to maintain a minimum net capital balance (as defined) of \$5,000, pursuant to the SEC's Uniform Net Capital rule 15c3-1. The Company's net capital balance was \$22,830 at December 31, 2009. The Company must also maintain a ratio of aggregate indebtedness (as defined) to net capital of not more than 15 to 1. The Company's ratio was 0 to 1 at December 31, 2009.

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting according to generally accepted accounting principles.

Income taxes

The Company, with the consent of its members, has elected to be formed as a limited liability company. The operating agreement, construed under Ohio laws, states that the Company will be treated as a partnership for federal and state income tax purposes. In lieu of paying taxes at the company level, the members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Evaluation of subsequent events

The Company has evaluated subsequent events through February 15, 2010, and has determined that there were no subsequent events to recognize or disclose in these financial statements.

CANDLEWOOD SECURITIES LLC

NOTES TO FINANCIAL STATEMENTS

NOTE B - Related party

Candlewood Partners, Inc. and Candlewood Partners, LLC are related parties by common ownership. The Company has a services agreement with both related parties. No management fees were paid to Candlewood Partners, Inc. during the year ended December 31, 2009.

Effective August, 2008, the Company entered into an operating agreement with Candlewood Partners, Inc., whereby the Company pays \$440 per month for rent and utilities incurred by Candlewood Partners on behalf of the Company. Expenses of \$5,280 were reported by the Company related to this agreement for the year ended December 31, 2009.

Cleveland Office
32125 Solon Road
Cleveland, Ohio 44139
440-248-8787
fax 440-248-0841
www.SSandG.com

Independent Auditors' Report on Supplementary Information
Required by Rule 17a-5 of the Securities and Exchange Commission

To the Members
Candlewood Securities LLC

We have audited the accompanying financial statements of Candlewood Securities LLC (the Company) as of and for the year ended December 31, 2009, and have issued our report thereon dated February 15, 2010. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 and 10 is presented for purposes 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Cleveland, Ohio
February 15, 2010

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CANDLEWOOD SECURITIES LLC

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

DECEMBER 31, 2009

NET CAPITAL

Total members' equity from statement of financial condition	\$	27,509
Deductions and/or charges		
Nonallowable assets: Prepaid expense		<u>4,679</u>
Net capital before haircuts on security positions		22,830
Haircuts on securities		<u>-</u>
NET CAPITAL	\$	<u>22,830</u>

AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	\$	<u>-</u>
---	----	----------

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of Total Aggregate Indebtedness)	\$	<u>-</u>
Minimum dollar required net capital	\$	<u>5,000</u>
Net capital requirement	\$	<u>5,000</u>
EXCESS NET CAPITAL	\$	<u>17,830</u>

Reconciliation with Company's computation of net capital as presented in Part II of Form X-17A-5 as of December 31, 2009:		
Net Capital as reported in Company's Part II (unaudited) FOCUS report	\$	22,826
Audit adjustments - rounding		<u>4</u>
Net Capital as reported above	\$	<u>22,830</u>

CANDLEWOOD SECURITIES LLC

STATEMENT REGARDING RULE 15c3-3

DECEMBER 31, 2009

The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Under Rule 15c3-3" or "Information for Possession or Control Requirements Under Rule 15c3-3" as it meets the exemptive provisions of rule 15c3-3 under Section (k)(2)(i) of the rule.

Supplemental Report of Independent Auditors on Internal Control
Required by Rule 17a-5 of the Securities and Exchange Commission

Cleveland Office

32125 Solon Road

Cleveland, Ohio 44139

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fax 440-248-0841

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To the Members
Candlewood Securities LLC

In planning and performing our audit of the financial statements of Candlewood Securities LLC (the Company), as of and for the year ended December 31, 2009, 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 (or aggregate debits) 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 above-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

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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 *control deficiency* 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 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 the 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 above.

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, 2009, to meet the SEC's objectives.

SS&G

Certified Public Accountants and Advisers

www.SSandG.com

This report is intended solely for the information and use of the Members, 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.

SS&G Financial Services, Inc

CERTIFIED PUBLIC ACCOUNTANTS

Cleveland, Ohio
February 15, 2010

SS&G

Certified Public Accountants and Advisers

www.SSandG.com

SIPC-7T

(29-REV 12/09)

SECURITIES INVESTOR PROTECTION CORPORATION
805 15th St. N.W. Suite 800, Washington, D.C. 20005-2215
202-371-8300

Transitional Assessment Reconciliation

(Read carefully the instructions in your Working Copy before completing this Form)

SIPC-7T

(29-REV 12/09)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

065845 FINRA DEC
CANDLEWOOD SECURITIES LLC 13*13
10 1/2 E WASHINGTON ST
CHAGRIN FALLS OH 44022-3008

150

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

William Vogelgesang 440.204.8005

- 2. A. General Assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 150.00
- * B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest) ~~150.00~~
1/9/09 check #1079 for
Date Paid
- C. Less prior overpayment applied (- 0 -)
- D. Assessment balance due or (overpayment) (- 0 -)
- E. Interest computed on late payment (see instruction E) for ___ days at 20% per annum (- 0 -)
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 0 ~~150.00~~
- G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 150.00 Overpaid
- H. Overpayment carried forward \$(- 0 -)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Candlewood Securities LLC
(Name of Corporation, Partnership or other organization)

[Signature]
(Authorized Signature)

Member
(Title)

Dated the 18th day of January, 2010.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: 1/9/10 Postmarked 1/30/10 Received _____ Reviewed

Calculations _____ Documentation _____ Forward Copy _____

Exceptions: _____

Disposition of exceptions: _____

Please apply the overpayment of \$150.00 toward your next filing.
Thank you



SECURITIES INVESTOR PROTECTION CORPORATION
805 FIFTEENTH STREET, N. W., SUITE 800
WASHINGTON, D. C. 20005-2215
(202) 371-8300 FAX (202) 371-6728
WWW.SIPC.ORG

*****FOR YOUR INFORMATION*****

We acknowledge receipt of your firm's Form SIPC-7T filed for your year ended December 31, 2009. Please be advised you have a \$150.00 credit to apply toward the SIPC-6 which you will file after the first half of your fiscal 2010 year, the period January 1 through June 30, 2010.

This credit resulted in not applying the \$150.00 payment made with the SIPC-4 previously filed in early 2009.

CANDLEWOOD SECURITIES LLC

***FINANCIAL
STATEMENTS AND
SUPPLEMENTAL INFORMATION
(With Independent Auditors' Report)***

***FOR THE YEAR ENDED
DECEMBER 31, 2009***

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ANNUAL AUDIT REPORT

For the Period from January 1, 2009 to December 31, 2009

Candlewood Securities LLC
(Name of Respondent)

10 ½ E. Washington Street
Cleveland, Ohio 44022
(Address of Principal Executive Office)

Mr. William Vogelgesang
Candlewood Securities LLC
10 ½ E. Washington Street
Cleveland, Ohio 44022
(440) 247-2800
**(Name and address of person authorized to receive notices and
communications from the Securities and Exchange Commission)**