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

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

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Section

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FACING PAGE Washington, DC

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 01-01-11 AND ENDING 12-31-11  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Dowling & Partners Securities, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

190 Farmington Ave

(No. and Street)

Farmington

(City)

CT

(State)

06032

(Zip Code)

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

Vincent J. Dowling, Jr.

860-676-8600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Price Waterhouse Coopers, LLP

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

185 Asylum St.

(Address)

Hartford

(City)

CT

(State)

06103

(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)

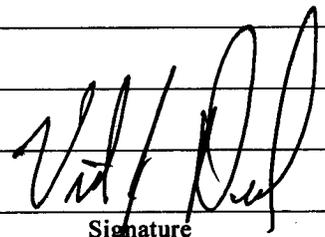
SEC 1410 (06-02)

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OATH OR AFFIRMATION

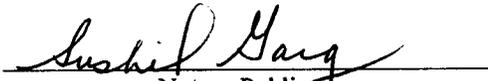
I, Vineent J. Dowling Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dowling & Partners Securities LLC, as of December 31, 2011, are true and correct. I further swear (or affirm) that neither 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

Manager

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).

**Dowling & Partners  
Securities, LLC**  
Statement of Financial Condition  
December 31, 2011 and 2010



**Dowling & Partners  
Securities, LLC**  
Statement of Financial Condition  
December 31, 2011 and 2010

**Dowling & Partners Securities, LLC**  
**Index to Statement of Financial Condition**  
**December 31, 2011 and 2010**

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|  | <b>Page(s)</b> |
|--|----------------|
| <b>Report of Independent Auditors</b> .....  | 1              |
| <b>Financial Statement</b>   |                |
| Statement of Financial Condition .....   | 2              |
| Notes to Statement of Financial Condition .....  | 3-7            |
| <b>Supplementary Schedule</b>  |                |
| Schedule I - Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1<br>Under the Securities Exchange Act of 1934 ..... | 8              |



## Report of Independent Auditors

To the Board of Directors of  
Dowling & Partners Securities, LLC:

In our opinion, the accompanying statements of financial condition present fairly, in all material respects, the financial position of Dowling & Partners Securities, LLC (the "Company") at December 31, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements 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 statement of the financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I 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.

*PricewaterhouseCoopers LLP*

February 23, 2012

**Dowling & Partners Securities, LLC**  
**Statement of Financial Condition**  
**December 31, 2011 and 2010**

|  | 2011                 | 2010                 |
|--|----------------------|----------------------|
| <b>Assets</b>                            |                      |                      |
| Cash and cash equivalents                | \$ 16,126,265        | \$ 18,491,972        |
| Deposits with clearing organization      | 250,000              | 250,000              |
| Syndicate designations receivable        | 882,000              | 481,800              |
| Commissions receivable                   | 124,910              | 85,134               |
| Securities owned, at fair value (Note 2) | 6,367,889            | 4,580,702            |
| Fixed assets (Note 4)                    | 19,917               | 21,609               |
| Other assets                             | 298,774              | 241,632              |
|  | <u>\$ 24,069,755</u> | <u>\$ 24,152,849</u> |
| <b>Liabilities and Capital</b>           |                      |                      |
| Liabilities                              |                      |                      |
| Incentive compensation payable           | \$ 5,300,525         | \$ 6,494,719         |
| Accounts payable and accrued expenses    | 702,523              | 625,788              |
| Distribution payable to Parent Company   | 5,066,707            | 4,032,342            |
| Total liabilities                        | 11,069,755           | 11,152,849           |
| Member equity                            | 13,000,000           | 13,000,000           |
|  | <u>\$ 24,069,755</u> | <u>\$ 24,152,849</u> |

The accompanying notes are an integral part of these financial statements.

# **Dowling & Partners Securities, LLC**

## **Notes to Statement of Financial Condition**

### **December 31, 2011 and 2010**

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#### **1. Summary of Significant Accounting Policies**

##### **Business**

Dowling & Partners Securities, LLC (the "Company") is a registered broker-dealer located in Farmington, Connecticut that is a wholly-owned subsidiary of Dowling & Partners Holdings, LLC (the "Parent Company"). The Company initiates securities transactions for a variety of institutional clients on a fully disclosed basis. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority, (FINRA), and the Securities Investors Protection Corporation (SIPC). The Company does not receive customer funds or securities during the course of its operations and is exempt from the calculation of a reserve requirement pursuant to Rule 15c3-3 subparagraph (k)(2) (ii) under the Securities Exchange Act of 1934.

##### **Basis of Presentation**

Certain prior year amounts have been reclassified to conform to the current year presentation.

##### **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. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of amounts due from banks and cash on hand with the Company's clearing broker.

##### **Fixed Assets**

Fixed assets are valued at cost, less accumulated depreciation. Depreciation is provided as allowed for tax purposes. The differences between depreciation as allowed for tax purposes methods and those using estimated useful lives under accounting principles generally accepted in the United States of America is not material to the financial statements.

##### **Securities**

Securities owned and securities sold, but not yet purchased, are recorded on trade date and marked to market at the end of each month and consist primarily of corporate common and preferred stocks which are classified as trading securities and reported at fair value. The resulting difference between cost and fair value is reported in earnings.

##### **Income Taxes**

The Company made an election to be taxed as a Partnership for income tax purposes. This election provides for net income or loss of the Company to be reported on the personal income tax returns of the members. As a result, the Company pays no income tax on its income and receives no income tax benefit from its losses.

**Dowling & Partners Securities, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2011 and 2010**

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**2. Securities Owned**

Securities owned consist of the following as of December 31:

|                      | 2011                | 2010                |
|----------------------|---------------------|---------------------|
| Common stock         | \$ 5,358,742        | \$ 3,798,127        |
| Preferred securities | 843,572             | 556,675             |
| Treasury bonds       | -                   | 105,944             |
| Corporate bonds      | 123,200             | 119,956             |
| Options              | 42,375              | -                   |
|                      | <u>\$ 6,367,889</u> | <u>\$ 4,580,702</u> |

**3. Fair Value Measurements**

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. In accordance with ASC 820, *Fair Value Measurements and Disclosures* the fair value estimates are measured within the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

**Basis of Fair Value Measurement**

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

When available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These other valuation techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, and estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates. Some derived fair value estimates cannot be substantiated by comparison to independent markets and, in certain cases, could not be realized in an immediate sale of the instruments. As of and for the years ended December 31, 2011 and 2010, the Company did not have any financial instruments that were fair valued using present value or other valuation techniques.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts presented to do purport to represent the underlying market value of the Company.

**Dowling & Partners Securities, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2011 and 2010**

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The following table details the financial instruments carried at fair value on a recurring basis as of December 31, 2011 and 2010 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine fair value:

|                                | <b>December 31, 2011</b>  |  |  |
|--------------------------------|---|--|--|
|                                | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| Securities owned at fair value | \$ 5,358,742  | \$ 1,009,147   | \$ -   |

|                                | <b>December 31, 2010</b>  |  |  |
|--------------------------------|---|--|--|
|                                | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| Securities owned at fair value | \$ 3,904,071  | \$ 676,631   | \$ -   |

During the years ended December 31, 2011 and 2010 there were no transfers to or from Level 3 or between Level 1 and 2 securities. As of December 31, 2011 and 2010, Level 1 securities included common stocks, mutual funds, and treasury bonds, and Level 2 securities included preferred securities, corporate bonds, and options.

**Securities Owned and Securities Sold**

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock, highly liquid government bonds and exchange-traded equities. If quoted prices are not available, then fair values are estimated by using pricing models (i.e. matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments would include preferred stock. The Company has no financial instruments categorized as Level 3 as of December 31, 2011 and 2010, respectively. Fair values are based on quoted market prices.

The Company has no financial instruments carried at fair value on a nonrecurring basis.

**Dowling & Partners Securities, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2011 and 2010**

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**4. Fixed Assets**

Fixed assets consist of the following at December 31:

|                          | 2011               | 2010               |
|--------------------------|--------------------|--------------------|
| Equipment                | \$ 729,520         | \$ 690,337         |
| Furniture and fixtures   | 511,148            | 504,192            |
| Leasehold improvements   | 28,056             | 28,056             |
|                          | <u>1,268,724</u>   | <u>1,222,585</u>   |
| Accumulated depreciation | <u>(1,248,807)</u> | <u>(1,200,976)</u> |
| Total fixed assets       | <u>\$ 19,917</u>   | <u>\$ 21,609</u>   |

**5. Concentration of Credit Risk and Off-Balance-Sheet Credit Risk**

The Company maintains cash and cash equivalent balances at financial institutions in excess of federally insured limits. At December 31, 2011 and 2010, uninsured cash and cash equivalent balances aggregated \$15,376,265 and \$17,759,402, respectively.

The Company, as part of its normal brokerage activities, assumes short positions in securities sold, but not yet purchased. The establishment of short positions exposes the Company to off-balance-sheet risk in the event the securities' price increase, as the Company may be obligated to acquire the securities at prevailing market prices.

Pursuant to its agreement with a carrying broker, the Company would be financially responsible to compensate the carrying broker for losses suffered as a result of doing business with the Company's customers. Such potential losses represent off-balance-sheet risk to the Company. The Company has a policy of reviewing, as considered necessary, the credit standing of each customer with whom it conducts business. The Company maintains a required deposit of at least \$250,000 held with the carrying broker. As the right to charge the Company has no maximum amount and applies to all trades executed through the carrying broker, the Company believes there is no maximum amount assignable to this right. At December 31, 2011, the Company has recorded no liabilities with regard to the right.

**6. Net Capital**

The Company, as a registered broker-dealer in securities, is subject to the Uniform Net Capital Rule (the "Rule") under the Securities Exchange Act of 1934. Under the Company's current operations, such Rule prohibits the Company from engaging in any securities transactions unless minimum net capital of the greater of 6-2/3% of aggregate indebtedness, or \$2,500 per market made or \$100,000 is maintained. Additionally, the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Rule also requires that equity capital may not be withdrawn or cash dividends paid if net capital is less than 120% of the Company's minimum net capital requirement or its ratio of aggregate indebtedness to net capital exceeds requirements.

**Dowling & Partners Securities, LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2011 and 2010**

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At December 31, 2011 and 2010, the Company had net capital for regulatory purposes of \$11,143,798 and \$11,599,882 and a minimum net capital requirement of \$702,555 and \$724,640 respectively. The ratio of aggregate indebtedness to net capital was 0.95 to 1 and 0.94 to 1 at December 31, 2011 and 2010 respectively.

**7. Related Party Transactions**

The Company currently leases office space from an entity owned by certain of the Parent Company's members. Rent expense for this lease amounted to \$243,682 and \$230,099 during 2011 and 2010, respectively.

**8. Commitments and Contingencies**

**Lease Commitments**

The Company leases certain of its offices under operating leases. Rent expense under these leases was approximately \$297,117 and \$329,172 for the years ended December 31, 2011 and 2010, respectively.

**Contingencies**

The Company, in its capacity as a broker-dealer, may be subject to litigation and various claims, as well as examination by regulatory agencies. Based upon defenses available and after consultation with legal counsel, the Company's management does not expect these or other matters to have an effect on the Company's results of operations or financial position.

**9. Subsequent Events**

As of February 23, 2012, the date in which the financial statements were issued, management has determined that no subsequent events have occurred following the balance sheet date of December 31, 2011, which requires recognition or disclosure in the financial statements.

**Dowling & Partners Securities, LLC**  
**Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1**  
**Under the Securities Exchange Act of 1934**  
**December 31, 2011 and 2010**

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|  |                             |
|--|-----------------------------|
| <b>Net capital</b>   |                             |
| Capital  | \$ 13,000,000               |
| Discretionary liability  | <u>531,428</u>              |
| Total capital and allowable credits  | 13,531,428                  |
| Less nonallowable assets   |                             |
| Fixed assets   | 19,917                      |
| Other assets   | <u>1,180,774</u>            |
| Net capital before haircuts  | 12,330,737                  |
| Haircuts on securities including undue concentration   | <u>1,186,939</u>            |
| Net capital  | 11,143,798                  |
| Less net capital requirement (greater of \$100,000<br>(6-1/3% of aggregate indebtedness) or \$702,555)                             | <u>702,555</u>              |
| <b>Net capital in excess of requirements</b>   | <b><u>\$ 10,441,243</u></b> |
| Computation of Aggregate Indebtedness Pursuant to Rule 15c3-1<br>Under the Securities Exchange Act of 1934 as of December 31, 2011 |                             |
| Total liabilities  | 11,069,754                  |
| Exclusions from aggregate indebtedness   |                             |
| Discretionary liability  | <u>(531,428)</u>            |
| Aggregate indebtedness   | <u>\$ 10,538,326</u>        |
| Ratio of aggregate indebtedness to net capital   | <u>0.95 to 1</u>            |

There are no material differences between this computation and the corresponding computation in the unaudited Part II FOCUS Report as of December 31, 2011.



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