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

**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 APRIL 1, 2012 AND ENDING MARCH 31, 2013

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**OFFICIAL USE ONLY**

KERN, SUSLOW SECURITIES, INC.

FIRM ID. NO.

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

80 BROAD STREET-26<sup>th</sup> FL

NEW YORK,

NEW YORK

10004

(City)

(State)

(Zip Code)

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

CHRISTOPHER G. HAMILTON, CFA

(212) 943 - 8891

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

LERNER & SIPKIN, CPAs, LLP

132 Nassau Street, Suite 1023

New York

NY

10038

Certified Public Accountant

**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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SEC 1410 (06-02)



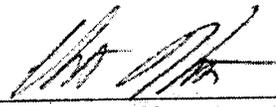
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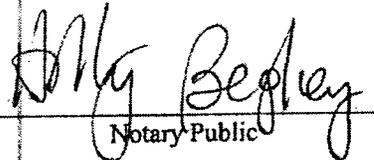
OATH OR AFFIRMATION

I, CHRISTOPHER G. HAMILTON, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of KERN, SUSLOW SECURITIES, INC., as of MARCH 31, 2013, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, member, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

HOLLY BEGLEY  
Notary Public - State of New York  
No. 01BE6064861  
Qualified in New York County  
My Commission Expires Feb. 3, 2015

X   
Signature  
President  
Title

X   
Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control requirements under rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the reserve requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

**KERN, SUSLOW SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**

**MARCH 31, 2013**

**KERN, SUSLOW SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**MARCH 31, 2013**

**ASSETS**

Cash and cash equivalents	\$ 474,213
Due from clearing broker	138,281
Securities owned, at market value (Note 3)	153,444
Property and equipment - net of accumulated depreciation of \$74,235 (Note 4)	9,744
Other assets	<u>7,329</u>
Total assets	<u>\$ 783,011</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities:**

Accounts payable and accrued expenses	<u>\$ 402,479</u>
Total liabilities	<u>402,479</u>

**Commitments and Contingencies (Notes 6 & 7)**

**Stockholders' equity (Note 8)**

Common stock, \$1.00 par value, 200 shares issued and outstanding.	200
Capital in excess of par value	407,978
Retained earnings	<u>(27,646)</u>
Total stockholders' equity	<u>380,532</u>
Total liabilities and stockholders' equity	<u>\$ 783,011</u>

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

**KERN, SUSLOW SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**Note 1 - Nature of Business**

Kern, Suslow Securities, Inc., (The "Company") is a broker/dealer registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA").

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clears all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmits all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

**Note 2 - Summary of Significant Accounting Policies**

*a) Revenue Recognition*

Securities transactions (and the recognition of related income and expenses) are recorded on a trade date basis. Commission income and related expense are recorded on a trade date basis.

*b) Income Taxes*

The Company accounts for income taxes under SFAS No. 109, which requires 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 bases 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. Valuation allowances are established, when necessary, to reduce deferred tax assets if it is more likely than not that such assets will not be realized.

*c) Cash and Cash Equivalents*

The Company considers demand deposited money market funds to be cash equivalents. The Company maintains cash in bank accounts which, at times, may exceed federally insured limits or where no insurance is provided. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

*d) Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

**KERN, SUSLOW SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**Note 2 - Summary of Significant Accounting Policies (continued)**

*e) Depreciation and Amortization*

Furniture, equipment and software is carried at cost and is depreciated over a useful life of 5-7 years using the straight line method. Leasehold improvements are amortized over the life of the lease using the straight line method.

*f) Subsequent activities*

The company intends to shut down its operations and either sell or close the broker dealer. It is currently waiting for approval from FINRA to transfer its clients' accounts to another broker dealer, and once approval is received, the transfer will commence. The Company has moved its location to the other broker dealer. All adjustments to reflect the recoverability of assets have been recorded.

**Note 3- Securities Owned**

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price or average of bid or ask price on the day of valuation.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

**KERN, SUSLOW SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**Note 3- Securities Owned (continued)**

Securities owned are summarized as follows:

	<u>Owned</u>
Equities	\$ 12,741
Capital assets fund	<u>140,703</u>
Total	<u>\$153,444</u>

All securities owned are considered to be valued using Level 1 inputs.

**Note 4- Property and Equipment**

Major classifications of property and equipment, as of March 31, 2013 are summarized as follows:

Furniture and equipment	\$76,979
Software	<u>7,000</u>
	83,979
Less: Accumulated depreciation	<u>(74,235)</u>
	<u>\$ 9,744</u>

**Note 5- Income Tax**

At March 31 2013, the Company had a net operating loss of approximately \$14,000 for income tax purposes. This carryforward will begin to expire in 2033. A valuation allowance of \$4,000 has been established to offset the deferred tax asset arising from this carryforward. Therefore, no deferred tax assets have been recorded on the accompanying statement of financial condition. The Company is subject to Federal, New York State and Florida income taxes.

**Note 6- Commitments and Contingencies**

*Office Space*

The Company rented office space on a month to month basis from a company owned by its officers through December 31, 2012. The Company also rents storage space. Rental expense paid to the affiliated company through March 31,2013 was \$ 73,774.

**Note 7 - Financial Instruments with Off-Balance Sheet Credit Risk**

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company introduces these transactions for clearance to another broker-dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair the customer's ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such non-performance by its customers.

The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing broker's internal guidelines. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, and requiring customers to deposit additional collateral, or reduce positions, when necessary.

**Note 8 - Net Capital Requirement**

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 ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At March 31, 2013, the Company had net capital of \$349,546, which was \$249,546 in excess of its required net capital of \$100,000. The Company's net capital ratio was 115.14%.



**LERNER & SIPKIN**  
CERTIFIED PUBLIC ACCOUNTANTS LLP

132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074  
E-mail: LS@lernerpsipkin.com

INDEPENDENT AUDITORS' REPORT

Mr. Chris Hamilton, CFA  
Kern Suslow Securities, Inc.  
80 Broad Street -26<sup>th</sup> Fl  
New York, NY 10004

**Report on the Financial Statements**

We have audited the accompanying statement of financial condition of Merrimac Corporate Securities, Inc., (the Company) as of March 31, 2013.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the statement of financial condition in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of financial condition that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statement of financial condition in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Merrimac Corporate Securities, Inc., as of March 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Lerner & Sipkin, CPAs, LLP  
Certified Public Accountants (NY)

New York, NY  
June 3, 2013