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JUN 03 2013

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

SEC FILE NUMBER
8- 67514

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 04/01/12 AND ENDING 03/31/13  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BLUE SAND SECURITIES, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
15210 N. SCOTTSDALE RD, STE 250

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)  
SCOTTSDALE AZ 85254  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
PATRICK HORSMAN (212) 461-6004  
(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

BRACE & ASSOCIATES, PLLC

(Name - if individual, state last, first, middle name)  
PMB 335, 123 NASHUA RD, UNIT 17 LONDONDERRY NH 03053  
(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)

Handwritten initials: KW, 6/1/13

OATH OR AFFIRMATION

I, PATRICK HORSMAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BLUE SAND SECURITIES, LLC, as of MARCH 31, 20 13, 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:

DENISE SADOWSKI
Notary Public, State of New York
No. 01SA5076308
Qualified in Queens County
Certificate filed in New York County
Commission Expires April 21, 2015

[Handwritten Signature]

Signature

MANAGING MEMBER

Title

[Handwritten Signature]

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).

**BLUE SAND SECURITIES, LLC**

**FINANCIAL STATEMENT**

**MARCH 31, 2013**

# BRACE & ASSOCIATES, PLLC

*Certified Public Accountant*

PMB 335, 123 NASHUA ROAD, UNIT 17

LONDONDERRY, NH 03053

TEL. (603) 889-4243

FAX (603) 882-7371

## **Independent Auditor's Report**

To the Members' of  
Blue Sand Securities, LLC  
Georgetown, TX

I have audited the accompanying statement of financial condition of Blue Sand Securities, LLC, (the Company) as of March 31, 2013, that is filed pursuant to rule 17a-5 of the Securities Exchange Act of 1934 and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement 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 financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on this financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 financial statement 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, I 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 financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Blue Sand Securities, LLC as of March 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

My audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The information contained in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the financial statement, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information in Schedules I, II, III and IV has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In my opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the financial statement as a whole.

*Brace & Associates, PLLC*

Brace & Associates, PLLC  
Certified Public Accountant  
Londonderry, New Hampshire  
May 17, 2013

**BRACE & ASSOCIATES, PLLC**

*Certified Public Accountant*

**BLUE SAND SECURITIES, LLC**

**STATEMENT OF FINANCIAL CONDITION**

**MARCH 31, 2013**

**ASSETS**

Cash	\$ 778,055
Accounts receivable	3,387,457
Prepaid expenses	12,710
Security deposit	15,540
Furniture and equipment, at cost less accumulated depreciation (\$19,127)	<u>1,862</u>
Total assets	<u>\$ 4,195,624</u>

**LIABILITIES AND MEMBER'S EQUITY**

Accounts payable	\$ 9,802
Accrued commissions	1,194,095
Security deposits payable	<u>24,000</u>
Total liabilities	<u>1,227,897</u>
Member's equity	<u>2,967,727</u>
Total liabilities and member's equity	<u>\$ 4,195,624</u>

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

**BLUE SAND SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENT**

**MARCH 31, 2013**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

The Company was organized on August 30, 2006 as a Delaware limited liability company to conduct business as a registered broker-dealer under the Securities Exchange Act of 1934. As a limited liability company the members' liability is limited to their investment.

**Use of Estimates**

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Furniture and Equipment**

Acquisitions of furniture and equipment are recorded at cost. Improvements and replacements of furniture and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of furniture and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of income and retained earnings. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

**Management's Review for Subsequent Events**

Management had evaluated subsequent events through May 10, 2013, the date which the financial statement were available to be issued.

**NOTE 2 - NET CAPITAL**

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as derived, not exceeding 15 to 1. The Company's net capital, as computed under Rule 15c3-1, was \$440,800 at March 31, 2013, which exceeded required net capital of \$81,860 by \$364,940. The ratio of aggregate indebtedness to net capital at March 31, 2013 was 274.82%

**BLUE SAND SECURITIES, LLC**

**NOTES TO FINANCIAL STATEMENT (Continued)**

**MARCH 31, 2013**

**NOTE 3 - INCOME TAXES**

The Company has chosen to be treated as a partnership for federal and state income tax purposes. A partnership is not a taxpaying entity for federal or state income tax purposes. Accordingly, no income tax expense has been recorded in the statements. All income or losses will be reported on the individual members' income tax returns.

**NOTE 4 - OPERATING LEASE AGREEMENTS**

The Company leases its office spaces under operating leases as follows:

One of the Company's office space leases only provides for a month-to-month commitment of \$750 per month in rent.

The other office space lease will expire in January 2014. The future minimum rental payments due under that lease are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2014	<u>\$286,776</u>
Total	<u>\$286,776</u>

A portion of the leased space in New York City is subleased to four unrelated parties under leases expiring at the same time as the Company's lease. The Company's lease expense will be offset by payments due under the subleases as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2014	<u>\$299,970</u>
Total	<u>\$299,970</u>

**NOTE 5- CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities with counterparties. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.



**BLUE SAND SECURITIES, LLC**  
**SUPPLEMENTARY SCHEDULES**  
**FOR THE PERIOD ENDED MARCH 31, 2013**

**BLUE SAND SECURITIES, LLC**

**SCHEDULE I**

**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL  
PURSUANT TO RULE 15c3-1**

**MARCH 31, 2013**

Total ownership equity from statement of financial condition	\$ 2,967,727
Total nonallowable assets from statement of financial condition	<u>2,520,926</u>
Net capital before haircuts on securities positions	446,801
Haircuts on securities	<u>-</u>
Net capital	446,801
Aggregate indebtedness:	
Total A.I. liabilities from statement of financial condition	<u>\$ 1,227,897</u>
Total aggregate indebtedness	<u>\$ 1,227,897</u>
Percentage of aggregate indebtedness to net capital	<u>274.8%</u>
Computation of basic net capital requirement:	
Minimum net capital required (6-2/3% of A.I.)	<u>\$ 81,860</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 81,860</u>
Excess net capital	<u>\$ 364,941</u>
Excess net capital at 1000%	<u>\$ 324,011</u>

There were no material differences between the audited and unaudited computation of net capital.

**SCHEDULE II**

**BLUE SAND SECURITIES, LLC**

**INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3**

**MARCH 31, 2013**

The Company had no items reportable as customers' fully paid securities: (1) not in the Company's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by the Company within the time frames specified under Rule 15c3-3 or (2) for which instructions to reduce to possession or control had not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

**SCHEDULE III**

**BLUE SAND SECURITIES, LLC**

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS  
IN SEGREGATION FOR CUSTOMERS' REGULATED  
COMMODITY FUTURES AND OPTION ACCOUNTS**

**MARCH 31, 2013**

The Company claims exemption from the segregation requirements of the Commodities Futures Act since it has no commodity customers as the term is defined in Regulation 1.3(k).

**SCHEDULE IV**

**BLUE SAND SECURITIES, LLC**

**COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER  
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

**MARCH 31, 2013**

Blue Sand Securities, LLC is exempt from the reserve requirements of Rule 15c3-3 under section k(2)(i) as its transactions are limited, such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 is not applicable.