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8/15/14

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

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

SEC FILE NUMBER  
8-68899

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BLUE VASE SECURITIES LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
8 LIVINGSTON STREET, SUITE 10

(No. and Street)

RHINEBECK

NY

12572

(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\*

VAN DUYNE, BRUNO & CO., P.A.

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

18 HOOK MOUNTAIN ROAD

PINE BROOK

NJ

07058

(Address)

(City)

(State)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION

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AUG - 1 2014

DIVISION OF TRADING & MARKETS

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AUG 17 2014

\*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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8/15/14

OATH OR AFFIRMATION

I, THOMAS HACK, 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 VASE SECURITIES LLC, as of DECEMBER 31, 2013, 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:

State of New York
County of Dutchess

Thomas C Hack
Signature

CFO

Title

Barbara C Finchbeck
Notary Public

BARBARA C FINCHBECK
Notary Public, State of New York
No. 01P16266063
Qualified in Dutchess County
Commission Expires July 22, 2017

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 VASE SECURITIES, LLC**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
(OTHER LEGAL AND REGULATORY REQUIREMENTS)**

**December 31, 2013**

**BLUE VASE SECURITIES LLC**

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**December 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
of Blue Vase Securities, LLC

We have audited the accompanying financial statements of Blue Vase Securities, LLC (a New York Corporation), which comprise the statement of financial condition as of December 31, 2013, and the related statement of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of, Blue Vase Securities, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the statements of net capital pursuant to SEC Rule 15c3-1 and reserve requirements pursuant to SEC Rule 15c3-3 is presented for purposes of additional analysis and is not a required part of the financial statements, but is 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Van Dyne, Burns & Co*  
Pine Brook, NJ

February 25, 2014

**BLUE VASE SECURITIES, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2013**

ASSETS

Current assets	
Cash and cash equivalents	\$ 115,304
Accounts receivable	750,701
Brokers receivable	119,642
Prepaid expenses	<u>4,906</u>
Total current assets	<u>990,553</u>
Property, plant, and equipment	
Machinery and equipment	77,102
Furniture and fixtures	4,380
Leasehold improvements	<u>13,791</u>
	95,273
Less: accumulated depreciation	<u>(94,503)</u>
Net property, plant and equipment	<u>770</u>
Other assets	
Security deposits	<u>6,095</u>
Total assets	<u><u>\$ 997,418</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Accounts payable	\$ 51,196
Accrued partnership taxes	1,500
Accrued expenses	<u>55,505</u>
Total liabilities	108,201
Members' equity	<u>889,217</u>
Total liabilities and members' equity	<u><u>\$ 997,418</u></u>

See notes to the financial statement.

**BLUE VASE SECURITIES, LLC**  
**STATEMENT OF INCOME**  
**For The Year Ended December 31, 2013**

Revenue		
Commission income	\$	2,347,243
Rebate income		<u>28,780</u>
Total revenue		<u>2,376,023</u>
Operating expenses		
Bank charges and miscellaneous		831
Clearing costs		110,207
Commissions		974
Computer and internet		44,197
Depreciation		876
Dues and subscriptions		12,725
Education and training		246
Employee benefits		59,824
Execution costs		296,737
Guaranteed payments		30,000
Insurance		455
License and permits		168
Meals and entertainment		87,546
Office expenses		16,423
Office salaries		871,232
Payroll and miscellaneous taxes		59,754
Payroll processing fees		56
Postage and delivery		629
Printing and reproduction		162
Professional service fees		33,538
Regulatory and exchange fees		125,806
Rent		20,400
Repairs and maintenance		723
Telephone		62,184
Travel		49,395
Utilities		<u>2,289</u>
Total operating expenses		<u>1,887,377</u>
Gross profit		488,646
Other expenses		
Interest expense		<u>3</u>
Income before income taxes		488,643
Income taxes		
State tax		<u>1,800</u>
Net income	\$	<u><u>486,843</u></u>

See notes to the financial statement.

**BLUE VASE SECURITIES, LLC**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2013**

Cash Flows From Operating Activities	\$ 486,843
Net income	876
Adjustments to reconcile net income to net cash flows used in operating activities	
Depreciation	876
Changes in operating assets and liabilities:	
Increase in accounts receivable	(485,831)
Increase in receivables from clearing brokers	(19,642)
Decrease in prepaid expenses	19,606
Increase in security deposits	(6,095)
Decrease in accounts payable	(33,607)
Increase in accrued partnership taxes	1,500
Increase in accrued expenses	17,326
	(19,024)
Net cash used in operating activities	(19,024)
Net decrease in cash	(19,024)
Cash-beginning of year	134,328
Cash at December 31, 2013	\$ 115,304
 <u>Supplemental disclosures</u>	
Cash paid during the year for interest	\$ 3
Cash paid during the year for income taxes	\$ 1,800

See notes to the financial statement.

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Blue Vase Securities, LLC (The Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity.

**Business activity**

The Company's operations consist primarily of engaging in transactions on the secondary markets for equities and equity options.

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA")

**Method of accounting**

The books for accounting reflect transactions on the accrual method of accounting. For income tax reporting the Company has adopted the accrual method.

**Cash and cash equivalents**

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

**Property, plant, and equipment**

Property, plant, and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for property, plant and equipment are 5 years.

**Statement of cash flows**

The Company in compliance with Accounting Standards Codification 230, Statement of Cash Flows has adopted the indirect method of presenting its statement of cash flows.

**Financial instruments**

The Company's financial instruments are cash and cash equivalents, receivables, prepaid expenses, accounts payable, accrued expenses, and partnership taxes payable. The recorded values approximate their fair values based on their short-term nature.

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Securities transactions**

Securities transactions and related commission revenue and expenses are recorded on a settlement date basis.

**Investments – Inventory and fair value**

The Company classifies its debt and marketable equity securities into held-to-maturity, trading, or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 defines fair value, 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.

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Investments – Inventory and fair value (continued)**

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.
- 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 judgments about the assumptions that market participants would use in pricing the asset or liability.

The fair value of substantially all securities is determined by quoted market prices and are classified as Level 1. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market and are classified as Level 2. Gains or losses on securities sold are based on the specific identification method.

**Note 2 – Credit Risk**

At times during the year, the Company maintained balances in bank accounts which exceeded the federally insured limit of \$250,000. These balances fluctuated during the year. Management monitors regularly the financial condition of the banking institutions along with their balances of cash and cash equivalents and tries to keep the risk to a minimum.

**Note 3 - Inventory – Clearing Account**

The clearing and depository operations for the Company’s transactions are provided by Merrill Lynch. At December 31, 2013 the account balance of \$119,642 represented the Company’s clearing deposit that had not been transferred by the clearing house until 2014.

**Note 4 – Property, Plant & Equipment**

Depreciation expense of property, plant, and equipment amounted to \$876 for December 31, 2013, as shown in the statement of income.

**Note 5 – Prepaid Expenses**

Prepaid expenses at December 31, 2013 are summarized as follows:

Prepaid CRD fees	1,867
Prepaid expenses	<u>3,039</u>
Total	<u>\$ 4,906</u>

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 6 - Commitments**

Minimum annual rental lease commitments for the main office are as follows:

2014 (New York)	<u>\$19,800</u>
-----------------	-----------------

Rent expense amounted to \$20,400 for the year ended December 31, 2013, as shown in the statement of income.

**Note 7 – Off-Balance Sheet Risk**

Pursuant to clearance agreements, the Company introduces all of its securities transactions to clearing brokers on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing brokers. In accordance with the clearance agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts.

**Note 8 – Concentrations of Credit Risk**

In the normal course of business, the Company's customer activities involved the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

For the period ended December 31, 2013, approximately 71% of the Company's revenues were from two customers.

**Note 9 – Net Capital Requirement**

As a registered broker-dealer and member firm of the National Association of Securities Dealers, Inc., the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. It computes its net capital under the aggregate indebtedness method, which requires that minimum net capital be equal to the greater of \$100,000 or 66 2/3% of aggregate indebtedness, as defined. At December 31, 2013, the Company had net capital of \$706,644 which exceeded its required net capital by \$699,427.

**Note 10 – Recent Accounting Pronouncements**

ASU 2013-02- Other Comprehensive Income (Topic 220) requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted.

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 10 – Recent Accounting Pronouncements (continued)**

ASU 2013-03- Financial Instruments (Topic 825) is an amendment which clarifies that the requirement to disclose “the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)” does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. The amendments are effective upon issuance, February 2013. The adoption of this ASU had no impact on the financial statements. The adoption of this ASU did not have any impact on the financial statements.

ASU 2013-04- Liabilities (Topic 405) contains amendments to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2013.

ASU 2013-07- Presentation of Financial Statements (Topic 205) clarifies when an entity should apply the liquidation basis of accounting and provides principles for the measurement of assets and liabilities under the liquidation basis of accounting as well as any required disclosures. The amendments require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or (b) a plan for liquidation is being imposed by other forces (for example, involuntary bankruptcy). If a plan for liquidation was specified in the entities governing documents from the entity’s inception (for example, limited-life entities), the entity should apply the liquidation basis of accounting only if the approved plan for liquidation differs from the plan for liquidation that was specified at the entity’s inception. The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013. Early adoption is permitted.

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 10 – Recent Accounting Pronouncements (continued)**

ASU 2013-11- Income Taxes (Topic 740) contains amendments that provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss or tax credit carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted.

**Note 11 – Subsequent Events**

Management has evaluated subsequent events through February 25, 2014, the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION  
OTHER LEGAL AND REGULATORY REQUIREMENTS**

**BLUE VASE SECURITIES, LLC  
SUPPLEMENTARY INFORMATION  
STATEMENTS OF NET CAPITAL  
PURSUANT TO SEC RULE 15c3-1  
December 31, 2013**

Net capital, members' equity		<u>\$ 889,217</u>
Less nonallowable assets		
Accounts receivable - net of commissions		176,897
Property, plant and equipment, net		770
Prepaid expenses		<u>4,906</u>
		<u>182,573</u>
Net capital		\$ 706,644
Aggregate indebtedness		108,201
Computed minimum net capital required (6.67% of aggregate indebtedness)		7,217
Minimum net capital required (under SEC Rule 15c3-1)		5,000
Excess net capital (\$706,644 - \$7,217)		699,427
Percent of aggregate indebtedness to net capital	\$	<u>108,201</u>
	\$	706,644
		15%

There are no material differences between the computation of net capital presented above and the computation of net capital in the Company's unaudited Form X-17A-5, Part II-A filing as of December 31, 2013.

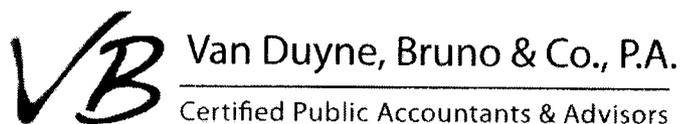
**BLUE VASE SECURITIES, LLC  
SUPPLEMENTARY INFORMATION  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
AND INFORMATION RELATING TO POSSESSION AND CONTROL  
REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES  
AND EXCHANGE COMMISSION  
December 31, 2013**

The Company is exempt from Securities Exchange Commission ("SEC") Rule 15c3-3 pursuant to the exemptive provisions of sub-paragraph (k)(2)(ii) and, therefore is not required to maintain a "Special Reserve Bank Account for the Exclusive benefit of Customers."

**BLUE VASE SECURITIES, LLC**

**INDEPENDENT AUDITOR'S REPORT ON THE SIPC ANNUAL  
ASSESSMENT REQUIRED BY SEC RULE 17a-5**

**December 31, 2013**



**INDEPENDENT AUDITOR'S REPORT ON THE  
SIPC ANNUAL ASSESSMENT REQUIRED BY SEC RULE 17a-5**

To the Members of  
Blue Vase Securities, LLC

Pursuant to Rule 17a-5(e) (4) of the Securities Exchange Act of 1934, we have performed the following procedures with respect to the accompanying schedule of Securities Investor Protection Corporation Assessment and Payment of Blue Vase Securities, LLC for the year ended December 31, 2013. Our procedures were performed solely to assist the Company in complying with Rule 17a-5(e) (4) and, accordingly, our report is not to be used for any other purpose. The procedures we performed were as follows:

- (1) Compared listed assessment payments with respective cash disbursement record entries

Because the above procedures do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on the schedule referred to above.

For the year ended December 31, 2013 SIPC-6 and SIPC-7 reports were filed by the Company, as is required and was done so in a timely manner.

*Van Duyne, Bruno & Co.*  
February 25, 2014

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Blue Vase Securities, LLC (The Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity.

**Business activity**

The Company's operations consist primarily of engaging in transactions on the secondary markets for equities and equity options.

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA")

**Method of accounting**

The books for accounting reflect transactions on the accrual method of accounting. For income tax reporting the Company has adopted the accrual method.

**Cash and cash equivalents**

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

**Property, plant, and equipment**

Property, plant, and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for property, plant and equipment are 5 years.

**Statement of cash flows**

The Company in compliance with Accounting Standards Codification 230, Statement of Cash Flows has adopted the indirect method of presenting its statement of cash flows.

**Financial instruments**

The Company's financial instruments are cash and cash equivalents, receivables, prepaid expenses, accounts payable, accrued expenses, and partnership taxes payable. The recorded values approximate their fair values based on their short-term nature.

**BLUE VASE SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Securities transactions**

Securities transactions and related commission revenue and expenses are recorded on a settlement date basis.

**Investments – Inventory and fair value**

The Company classifies its debt and marketable equity securities into held-to-maturity, trading, or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 defines fair value, 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.

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**Note 1 – Summary of Significant Accounting Policies (continued)**

**Investments – Inventory and fair value (continued)**

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.
- 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 judgments about the assumptions that market participants would use in pricing the asset or liability.

The fair value of substantially all securities is determined by quoted market prices and are classified as Level 1. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market and are classified as Level 2. Gains or losses on securities sold are based on the specific identification method.

**Note 2 – Credit Risk**

At times during the year, the Company maintained balances in bank accounts which exceeded the federally insured limit of \$250,000. These balances fluctuated during the year. Management monitors regularly the financial condition of the banking institutions along with their balances of cash and cash equivalents and tries to keep the risk to a minimum.

**Note 3 - Inventory – Clearing Account**

The clearing and depository operations for the Company's transactions are provided by Merrill Lynch. At December 31, 2013 the account balance of \$119,642 represented the Company's clearing deposit that had not been transferred by the clearing house until 2014.

**Note 4 – Property, Plant & Equipment**

Depreciation expense of property, plant, and equipment amounted to \$876 for December 31, 2013, as shown in the statement of income.

**Note 5 – Prepaid Expenses**

Prepaid expenses at December 31, 2013 are summarized as follows:

Prepaid CRD fees	1,867
Prepaid expenses	<u>3,039</u>
Total	<u>\$ 4,906</u>

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**Note 6 - Commitments**

Minimum annual rental lease commitments for the main office are as follows:

2014 (New York)	<u>\$19,800</u>
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Rent expense amounted to \$20,400 for the year ended December 31, 2013, as shown in the statement of income.

**Note 7 – Off-Balance Sheet Risk**

Pursuant to clearance agreements, the Company introduces all of its securities transactions to clearing brokers on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing brokers. In accordance with the clearance agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts.

**Note 8 – Concentrations of Credit Risk**

In the normal course of business, the Company's customer activities involved the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

For the period ended December 31, 2013, approximately 71% of the Company's revenues were from two customers.

**Note 9 – Net Capital Requirement**

As a registered broker-dealer and member firm of the National Association of Securities Dealers, Inc., the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. It computes its net capital under the aggregate indebtedness method, which requires that minimum net capital be equal to the greater of \$100,000 or 66 2/3% of aggregate indebtedness, as defined. At December 31, 2013, the Company had net capital of \$706,644 which exceeded its required net capital by \$699,427.

**Note 10 – Recent Accounting Pronouncements**

ASU 2013-02- Other Comprehensive Income (Topic 220) requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted.

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**Note 10 – Recent Accounting Pronouncements (continued)**

ASU 2013-03- Financial Instruments (Topic 825) is an amendment which clarifies that the requirement to disclose “the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)” does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. The amendments are effective upon issuance, February 2013. The adoption of this ASU had no impact on the financial statements. The adoption of this ASU did not have any impact on the financial statements.

ASU 2013-04- Liabilities (Topic 405) contains amendments to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments are effective for fiscal years and interim periods within those years beginning after December 15, 2013.

ASU 2013-07- Presentation of Financial Statements (Topic 205) clarifies when an entity should apply the liquidation basis of accounting and provides principles for the measurement of assets and liabilities under the liquidation basis of accounting as well as any required disclosures. The amendments require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or (b) a plan for liquidation is being imposed by other forces (for example, involuntary bankruptcy). If a plan for liquidation was specified in the entities governing documents from the entity’s inception (for example, limited-life entities), the entity should apply the liquidation basis of accounting only if the approved plan for liquidation differs from the plan for liquidation that was specified at the entity’s inception. The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013. Early adoption is permitted.

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**Note 10 – Recent Accounting Pronouncements (continued)**

ASU 2013-11- Income Taxes (Topic 740) contains amendments that provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss or tax credit carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted.

**Note 11 – Subsequent Events**

Management has evaluated subsequent events through February 25, 2014, the date on which the financial statements were available to be issued.