



14041777

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response.....	12.00

Handwritten initials and date: TW 10/29/14



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

SEC FILE NUMBER
8-67056

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 September 1, 2013 AND ENDING August 31, 2014  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **HBW Securities, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**3355 Cochran Street - Suite 100**

(No. and Street)

**Simi Valley**

**CA**

**93063**

(City)

(State)

(Zip Code)

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

Michael O. Brown

404-303-8840 x 1005

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Summit LLC**

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

**999 18th Street Suite 3000**

**Denver**

**CO**

**80202**

(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**

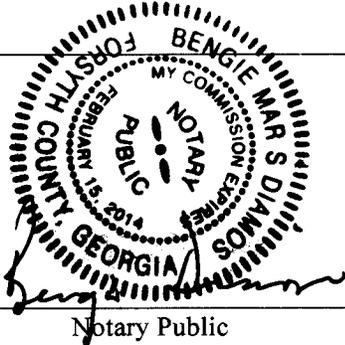
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Handwritten initials and date: DD 10/30/14

OATH OR AFFIRMATION

I, Michael O. Brown, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HBW Securities, LLC of August 31, 2014, 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:

NONE



Michael O. Brown

Signature

Financial & Operations Principal

Title

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).

# **HBW SECURITIES LLC**

Financial Statements  
For the Year Ending August 31, 2014  
In accordance with Rule 17A-5(d)



Summit LLC  
Certified Public Accountants

## HBW SECURITIES LLC

### TABLE OF CONTENTS

---

	<u>Page(s)</u>
Independent Registered Public Accounting Firm's Report	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Members' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 10
Supplementary Schedules:	
I. Computation of Net Capital Pursuant to Net Capital Rule 15c3-1 included in the Company's Corresponding Unaudited Form X-17A-5 Part II Filing	11
Reconciliation of the Computation of Net Capital Pursuant to Net Capital Rule 15c3-1 included in the Company's Corresponding Unaudited Form X-17A-5 Part II Filing	12
II. Computation for Determination of Reserve Requirements Under Rule 15c3-3	13
III. Information Relating to Possession or Control Requirements Under Rule 15c3-3	13
Independent Registered Public Accounting Firm's Report on Management's Assertions Regarding Exemption Claimed from Rule 15c3-3	14
Exemption Report Requirement for Broker/Dealers Under Rule 17a-5 of the Securities and Exchange Act of 1934	15
Independent Accountant's Report on Applying Agreed Upon Procedures SIPC Assessment Reconciliation Pursuant to Form SIPC 7	S1 - S2 S3



**Summit LLC**  
Certified Public Accountants

**Summit LLC**  
Certified Public Accountants  
999 18th Street • Suite 3000  
Denver, CO 80202

## INDEPENDENT AUDITOR'S REPORT

To The Members of  
HBW Securities LLC

We have audited the accompanying financial statements of HBW Securities LLC (the "Company"), which comprise the statement of financial condition as of August 31, 2014, and the related statements of operations, changes in members' equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements and supplemental information. HBW Securities LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of HBW Securities LLC as of August 31, 2014, 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.

The supplemental schedules listed below have been subjected to audit procedures performed in conjunction with the audit of HBW Securities LLC's financial statements.

- Schedule I, Computation of Net Capital Under Rule 15c3-1.
- Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3 (exemption).
- Schedule III, Information for Possession or Control Requirements Under Rule 15c3-3 (exemption).

The supplemental information is the responsibility of HBW Securities LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Summit llc*

Denver, Colorado  
October 23, 2014

**HBW SECURITIES LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**AUGUST 31, 2014**

---

**ASSETS**

Cash	\$ 299,777
Commissions receivable	341,299
Prepaid expenses	25,497
Deposits	2,354
Other receivables	<u>-</u>
<b><i>Total assets</i></b>	<b><u>\$ 668,927</u></b>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES:**

Commissions payable	\$ 282,176
Accounts payable and accrued expenses	<u>21,124</u>

***Total liabilities*** 303,300

**CONTINGENCIES (Note 5)**

**MEMBERS' EQUITY (Notes 2 and 4):**

Members' interests	296,865
Retained earnings	<u>68,762</u>

***Total members' equity*** 365,627

***Total liabilities and members equity*** **\$ 668,927**

The accompanying notes are an integral part of this statement.

**HBW SECURITIES LLC**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED AUGUST 31, 2014**

---

**REVENUE:**

Variable insurance commissions	\$ 2,279,404
Mutual fund commissions	1,098,323
Agent registrations	238,793
Mutual fund trailing fees	783,196
Other income	8,004
Interest	<u>243</u>
<b><i>Total Revenue</i></b>	<b><u>4,407,963</u></b>

**EXPENSES:**

Commissions	3,423,254
Fees paid to affiliate (Note 3)	143,137
Compliance	38,547
Insurance	83,683
Licenses and permits	83,763
Equipment	68,445
Meetings and conventions	55,000
Professional services	25,033
Regulatory fee assessments	13,855
Income and franchise taxes	36,235
Salaries and related expenses	284,078
Service charges	7,763
Miscellaneous	<u>76,408</u>
<b><i>Total Expenses</i></b>	<b><u>4,339,201</u></b>

**NET INCOME**

**\$ 68,762**

**HBW SECURITIES LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**YEAR ENDED AUGUST 31, 2014**

---

	Class A		Class B		Members'
	Units	Amount	Units	Amount	Equity Amount
<b>BALANCES, August 31, 2013</b>	442,000	\$ 229,866	149,000	\$ 184,509	\$ 414,375
Distributions	-	(100,001)	-	(17,509)	(117,510)
Net income	-	58,516	-	10,246	68,762
<b>BALANCES, August 31, 2014</b>	<b><u>442,000</u></b>	<b><u>\$ 188,381</u></b>	<b><u>149,000</u></b>	<b><u>\$ 177,246</u></b>	<b><u>\$ 365,627</u></b>

The accompanying notes are an integral part of this statement.

**HBW SECURITIES LLC**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2014**

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ 68,762
Adjustments to reconcile net income to net cash used in operating activities:	
Increase in commission receivable	(21,774)
Decrease in prepaid expense	4,463
Decrease in deposits	6,515
Decrease in other receivables	4,470
Decrease in commissions payable	(2,155)
Decrease in other payable	<u>15,249</u>
<i>Net cash provided by operating activities</i>	<u>75,530</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Distributions to owners	<u>(117,510)</u>
<i>Net cash used in financing activities</i>	<u>(117,510)</u>

**CASH**, at beginning of year 341,757

**CASH**, at end of year \$ 299,777

## HBW SECURITIES LLC

### NOTES TO FINANCIAL STATEMENTS

---

#### **NOTE 1 - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization and Business**

HBW Securities LLC (the "Company") was incorporated in California on April 8, 2005 and began operation on January 1, 2006. The Company operates as a securities broker-dealer for mutual funds and variable annuities.

The Company, under rule 15c3-3(k)(2)(i), is exempt from the customer reserve requirements of rule 15c3-3 of the Securities and Exchange Commission. In addition, the Company, under rule 15c3-3(k)(2)(i), is exempt from the possession or control requirements of rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts or transactions.

##### **Revenue Recognition**

Revenue associated with mutual funds and variable annuity commissions and the related commission expense are recognized on an accrual basis.

##### **Income Taxes**

The Company made an election to be taxed as a limited liability company under the Internal Revenue Code. Accordingly, there is no provision for income taxes included in the accompanying financial statements except for state franchise taxes and fees. All income and expenses are reported by the Company's members on their respective tax returns.

The Company accounts for uncertain tax positions in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 740-10, *Accounting for Uncertainty in Income Taxes*. FASB ASC Topic 740-10 establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination.

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

For purposes of the statements of cash flows, the Company considers investments with maturities less than three months to be cash equivalents.

##### **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 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.

NOTES TO FINANCIAL STATEMENTS

---

**NOTE 1 - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

**Fair Value Measurement**

The Company follows ASC 820, Fair Value Measurements and Disclosures which 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. The Company does not hold any positions besides cash as of August 31, 2014.

**NOTE 2 - NET CAPITAL AND MINIMUM CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under provision. At August 31, 2014, the Company had net capital and net capital requirements of \$278,653 and \$20,220, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 1.09 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

The Company has administrative services agreement with an affiliated company, HBW Insurance and Financial Services, Inc. ("Insurance"). Under the agreement, the Company pays Insurance a monthly amount based on a percentage of the commission revenue to cover expenses paid by Insurance, such as office space, equipment, telephone, salaries and other operational expenses. During the year ended August 31, 2014, the Company paid Insurance \$143,137 to cover its portions of expenses paid by Insurance.

**NOTE 4 - MEMBERS' EQUITY**

The Company is authorized to issue up to 1,000,000 units, of which 660,000 are denominated as Class A Units and the remaining amount denominated as either Class B Units or Class C units as determined by the Managers. Class A units are deemed to be the managing units and accordingly, have all the voting rights to make management decisions. Class B and C units are non-voting units. All units held do not necessarily equal the proportional share of ownership in the Company.

**HBW SECURITIES LLC**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND UNCERTAINTIES**

The Company's financial instruments, including cash, commissions receivable, deposits, prepaid expenses, other receivables, commissions payable, accounts payable and accrued expenses are carried at amounts that approximate fair value due to the short-term nature of those instruments.

The Company's registered representatives introduce client investor accounts to mutual fund companies and insurance companies, all of which are independent. The Company itself does not take discretionary control over any account or funds. The funds and companies, to which the Company introduces accounts, pay the Company a portion a commission and/or trail. In the event the Company does not satisfy its agreement terms, the agreement may be terminated.

There exists an investment risk that revenues may be significantly influenced by market conditions, such as volatility, resulting in investor-placed funds losing value. If the markets should move against positions held by a fund, and if the fund is not able to offset such losses, the fund could lose all of its assets and the introduced investors in the fund could realize a loss. The Company would, therefore, lose commissions and trail fees associated with the introduced capital of the investor to the fund.

The Company is subject to litigation and claims arising in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, the results of such pending litigation and claims will not have a material effect on the results of operations, the financial position, or the cash flows of the Company.

**NOTE 6 - SUBSEQUENT REVIEW**

The Company has performed an evaluation of subsequent events through October 23, 2014, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**HBW SECURITIES LLC**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM**  
**NET CAPITAL RULE 15c3-1**  
**AUGUST 31, 2014**

---

<b>CREDIT:</b>	
Members' equity	<u>\$ 365,627</u>
 <b>DEBITS:</b>	
Non-allowable assets	
Commission receivable	59,123
Prepaid expenses	25,497
Deposits	2,354
Other receivables	<u>-</u>
<b>Total debits</b>	<u>86,974</u>
 <b>NET CAPITAL</b>	 278,653
 Minimum requirements of 6 2/3% of aggregate indebtedness of \$303,300 or \$5,000, whichever is greater	
	<u>20,220</u>
<b>Excess net capital</b>	<u><u>\$ 258,433</u></u>
 <b>AGGREGATE INDEBTEDNESS:</b>	
Commissions payable	\$ 282,176
Accounts payable and accrued expenses	<u>21,124</u>
<b>Aggregate indebtedness</b>	<u><u>\$ 303,300</u></u>
 <b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	 <u><u>1.09 to 1</u></u>

**HBW SECURITIES LLC**

**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM  
NET CAPITAL RULE 15c3-1 INCLUDED IN THE COMPANY'S CORRESPONDING  
UNAUDITED FORM X-17A-5 PART II FILING WITH COMPUTATION INCLUDED IN THE REPORT  
PURSUANT TO RULE 17A-5(d)**

**AUGUST 31, 2014**

---

<b>NET CAPITAL PER COMPANY'S UNAUDITED FORM X-17A-5 PART II FILING</b>	<b>\$</b>	<b>294,653</b>
Adjustments:		
Increase in income and franchise taxes accrual		<u>(16,000)</u>
<b>NET CAPITAL PER REPORT PURSUANT TO RULE 17a-5(d)</b>	<b>\$</b>	<b><u>278,653</u></b>

**HBW SECURITIES, LLC  
SCHEDULES II AND III**

**AUGUST 31, 2014**

---

**Schedule II**

**Computation for Determination of Reserve Requirements Under Rule 15c3-3**

---

None, the Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(i) thereof.

**Schedule III**

**Information Relating to Possession or Control Requirements Under Rule 15c3-3**

---

None, the Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(i) thereof.



Summit LLC  
Certified Public Accountants

**Summit LLC**  
Certified Public Accountants  
999 18th Street • Suite 3000  
Denver, CO 80202

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Members of  
HBW Securities LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) HBW Securities LLC's identified the following provisions of 17 C.F.R. §15c3-3(k) under which HBW Securities LLC claimed an exemption from 17 C.F.R. §240.15c3-3 pursuant to the provisions of subparagraph (k)(2)(i) thereof and (2) HBW Securities LLC stated that HBW Securities LLC met the identified exemption provisions throughout the most recent fiscal year without exception. HBW Securities LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about HBW Securities LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Summit llc*

Denver, Colorado  
October 23, 2014

**HBW SECURITIES**  
**EXEMPTION REPORT**  
**REQUIREMENT FOR BROKER/DEALERS UNDER**  
**RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934**  
**YEAR ENDED AUGUST 31, 2014**

---

HBW Securities LLC is exempt from the reserve and possession or control requirements under 15c3-3(k) of the Securities Exchange Act of 1934. The Company was in compliance and claimed the exemption provided by subparagraph (k)(2)(i) thereof as it did not carry any customer accounts or securities during the fiscal year ended August 31, 2014.



**Summit LLC**

Certified Public Accountants

999 18th Street • Suite 3000

Denver, CO 80202

**INDEPENDENT ACCOUNTANT'S REPORT**

To the Members of HBW Securities LLC  
3355 Cochran Street Suite 100  
Simi Valley, CA 93063

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments, General Assessment Reconciliation (Form SIPC-7), to the Securities Investor Protection Corporation (SIPC) for the year ended August 31, 2014, which were agreed to by HBW Securities LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating HBW Securities LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). HBW Securities LLC's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended August 31, 2014, as applicable, with the amounts reported in Form SIPC-7 for the year ended August 31, 2014, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Summit llc*

Denver, Colorado  
October 23, 2014

**HBW SECURITIES LLC**

**SIPC ASSESSMENT RECONCILIATION  
PURSUANT TO FORM SIPC-7  
AUGUST 31, 2014**

---

General Assessment per Form SIPC - 7 including interest	\$	2,074
Less prior overpayment applied		<u>(2,031)</u>
Payment made with Form SIPC - 7	\$	<u><u>43</u></u>