



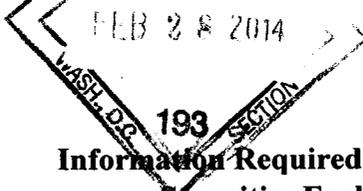
*Blully*  
*llw*

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

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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 1/1/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Collins/Bay Island Securities LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

300 South Spring Street, Suite 300

(No. and Street)

Aspen

Colorado

81611

(City)

(State)

(Zip Code)

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

Budge Collins, Owner

(970) 920-7000

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein Kass

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

9171 Wilshire Blvd, 5th Floor

Beverly Hills

California

90210

(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).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

*CS*  
*5/18/14*

OATH OR AFFIRMATION

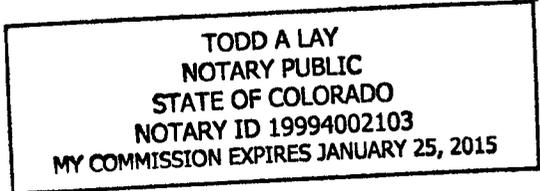
I, Budge Collins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Collins/Bay Island Securities LLC, as of December 31, 2013, are true and correct. I further swear (or affirm) that neither the company 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:

2-21-14  
STATE: COLORADO  
COUNTY: PITKIN

Budge Collins  
Signature

President  
Title

[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 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.

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

# All Purpose Acknowledgement

State of \_\_\_\_\_  
County of \_\_\_\_\_

On 2-21-14, before me, Todd Lay,  
(date) (notary)

personally appeared, Budge Collins,  
(signers)

- personally known to me -- OR --  proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument

**TODD A LAY  
NOTARY PUBLIC  
STATE OF COLORADO  
NOTARY ID 19994002103  
MY COMMISSION EXPIRES JANUARY 25, 2015**

(seal)

WITNESS my hand and official seal

Todd Lay  
(notary signature)

## OPTIONAL INFORMATION

The information below is not required by law. However, it could prevent fraudulent attachment of this acknowledgement to an unauthorized document.

### CAPACITY CLAIMED BY SIGNER (PRINCIPAL)

- Individual  
 Corporation Officer  
\_\_\_\_\_ title(s)  
 Partner(s)  
 Attorney-In-Fact  
 Trustee(s)  
 Guardian/Conservator  
 Other:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SIGNER IS REPRESENTING:  
Name of Person(s) OR Entity(ies)  
\_\_\_\_\_  
\_\_\_\_\_

### DESCRIPTION OF ATTACHED DOCUMENT

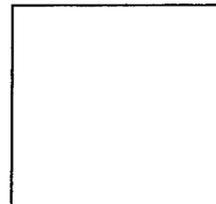
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Number of Pages

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Date of Document

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Other

Right Thumbprint  
of Signer  
(if required)



# COLLINS/BAY ISLAND SECURITIES LLC

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9171 Wilshire Boulevard, 5th Floor  
Beverly Hills, CA 90210  
310.273.2770  
www.rkco.com

## INDEPENDENT AUDITORS' REPORT

To Collins/Bay Island Securities LLC

We have audited the accompanying statement of financial condition of Collins/Bay Island Securities LLC (the "Company") as of December 31, 2013 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition.

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

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 Collins/Bay Island Securities LLC as of December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Beverly Hills, California  
February 21, 2014

# COLLINS/BAY ISLAND SECURITIES LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2013

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### ASSETS

Cash and cash equivalents	\$ 3,506,539
Securities owned, at fair value	3,570,966
Accounts receivable	3,144,663
Property and equipment, net	359,256
Other assets	<u>27,117</u>
	<u>\$ 10,608,541</u>

### LIABILITIES AND MEMBER'S EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$ 314,824
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#### Commitments

Member's equity	<u>10,293,717</u>
	<u>\$ 10,608,541</u>

# COLLINS/BAY ISLAND SECURITIES LLC

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of operations and summary of significant accounting policies

#### *Nature of Operations*

Collins/Bay Island Securities LLC (the "Company"), a Delaware limited liability company, is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company specializes in marketing third-party private investments.

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Account for the Exclusive Benefit of Customers."

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

These financial statements were approved by management and available for issuance on February 21, 2014. Subsequent events have been evaluated through this date.

#### *Cash Equivalents*

The Company considers its investments in short-term money market fund to be cash equivalents.

#### *Valuation of Investments in Securities at Fair Value – Definition and Hierarchy*

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

# COLLINS/BAY ISLAND SECURITIES LLC

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Valuation of Investments in Securities at Fair Value – Definition and Hierarchy (continued)*

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

#### *Valuation Techniques*

#### Securities Owned

The Company values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

#### *Accounts Receivable and Allowance for Doubtful Accounts*

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. The Company evaluated its accounts receivable and established an allowance for doubtful accounts, based on collections and current credit conditions. Accounts are written off as uncollectible on a case-by-case basis. At December 31, 2013, there was no allowance for doubtful accounts.

#### *Revenue Recognition*

The Company earns referral revenues from management and performance fees for accounts obtained for third-party investment companies. The revenues are recognized on a quarterly or yearly basis as they are recognized by the investment advisors managing the investment companies.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

# COLLINS/BAY ISLAND SECURITIES LLC

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Property and Equipment*

Property and equipment is recorded at cost and depreciated using the straight-line method over estimated useful lives of three to seven years. Expenditures for major renewals and improvements are capitalized while minor replacements, maintenance and repairs that do not improve or extend the life of such assets are charged to expense. Gains or losses on disposal of property and equipment are reflected in operations.

#### *Income Taxes*

The Company is a limited liability company, and treated as a partnership for income tax reporting purposes. The Internal Revenue Code ("IRC") provides that any income or loss is passed through to the members for federal and state income tax purposes. Accordingly, the Company has not provided for federal or state income taxes.

At December 31, 2013, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require. The Company remains subject to U.S. federal and state income tax audits for all periods subsequent to 2010.

#### *Concentration of Credit Risk*

From time to time, the Company will maintain cash balances in a financial institution that may exceed the Federal Deposit Insurance Corporation ("FDIC") coverage of \$250,000. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

#### *Concentration of Revenues*

In 2013, the Company received 33% of its management fee revenues from two managers and 55% of its performance fee revenues from two other managers.

# COLLINS/BAY ISLAND SECURITIES LLC

## NOTES TO FINANCIAL STATEMENT

### 2. Fair value measurements

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the Company's policies.

The following table presents information about the Company's assets measured at fair value as of December 31, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2013
<b>Assets (at fair value)</b>				
<b>Securities owned</b>				
Common stock	\$ 1,779,000	\$ -	\$ -	\$ 1,779,000
U.S. Treasury bills	1,791,966	-	-	1,791,966
<b>Total securities owned</b>	<b>\$ 3,570,966</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,570,966</b>

### 3. Property and equipment

Property and equipment consists of the following at December 31, 2013:

Automobile	\$ 192,759
Leasehold improvements	3,250
Office equipment	127,738
Furniture and fixtures	354,604
Less accumulated depreciation	(319,095)
Property and equipment, net	<u>\$ 359,256</u>

Depreciation expense for the year ended December 31, 2013 was \$102,377.

# COLLINS/BAY ISLAND SECURITIES LLC

## NOTES TO FINANCIAL STATEMENT

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### **4. Net capital requirement**

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital, maintenance of the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1, and compliance with restrictions on withdrawal of equity capital or cash dividends if the resulting net capital ratio would exceed 10 to 1. At December 31, 2013, the Company's net capital was \$6,495,816 which was \$6,474,828 in excess of its minimum net capital requirement of \$20,988.

### **5. Pension and profit-sharing plans**

The Company has a profit sharing plan and 401(k) plan for the benefit of its eligible employees. The Company's contribution to the profit sharing plan for the year ended December 31, 2013 is \$68,059, all of which has been accrued as of December 31, 2013.

### **6. Restatement**

During 2013, the Company recorded a prior period adjustment of \$904,552 related to referral revenues on performance fees. The amount represents referral revenues on performance fees of \$420,820 for the year ended December 31, 2011 and \$483,732 for the year ended December 31, 2012.

### **7. Related party transaction**

The Company leases office space in Aspen, Colorado from a related party on a month-to-month basis. Rent paid to the related party totaled \$98,224 for the year ended December 31, 2013.

### **8. Subsequent Events**

On January 13, 2014 the Company distributed \$1,650,000 to its sole member.