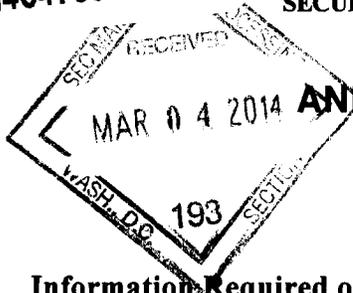




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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 35875

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: CONNELL SECURITIES LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

200 CONNELL DRIVE

(No. and Street)

BERKELEY HEIGHTS

NEW JERSEY

07922

(City)

(State)

(Zip Code)

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

DUANE CONNELL

908-673-3700

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

ERNST & YOUNG LLP

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

5 TIMES SQUARE

NEW YORK

NEW YORK

10036-6530

(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)

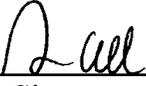
SEC 1410 (06-02)

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DD  
3/20/14

## OATH

I, Duane Connell, swear that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Connell Securities LLC, as of December 31, 2013, are true and correct. I further swear 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.

  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
President  
Title

*Janet Accardi 7/28/14*

**JANET ACCARDI**  
NOTARY PUBLIC OF NEW JERSEY  
REGISTERED IN UNION COUNTY  
MY COMMISSION EXPIRES JULY 28, 2015

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).**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

**CONNELL SECURITIES LLC**

Year Ended December 31, 2013

With Report and Supplementary Report of Independent Registered  
Public Accounting Firm

# CONNELL SECURITIES LLC

## Financial Statements

Year Ended December 31, 2013

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Ernst & Young LLP  
5 Times Square  
New York, NY 10036-6530

Tel: +1 212 773 3000  
Fax: +1 212 773 6350

## **Report of Independent Registered Public Accounting Firm**

To the Member of Connell Securities LLC

We have audited the accompanying financial statements of Connell Securities LLC, which comprise the statement of financial condition as of December 31, 2013, and the related statement of operations, changes in member's 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.



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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connell Securities LLC at December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the financial statements, 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 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ernst & Young LLP*

February 28, 2014

**CONNELL SECURITIES LLC**  
Statement of Financial Condition  
December 31, 2013

**Assets**

Cash	\$ 646,277
Prepaid expenses	<u>4,197</u>
	<u><u>\$ 650,474</u></u>

**Liabilities and Member's Equity**

Due to Member	\$ 57,411
Accrued expenses	<u>28,735</u>
Total liabilities	86,146
Member's equity	<u>564,328</u>
	<u><u>\$ 650,474</u></u>

*See accompanying notes.*

**CONNELL SECURITIES LLC**  
Statement of Operations  
For the Year Ended December 31, 2013

Fee income	\$ 309,900
Operating expenses	<u>334,128</u>
Net loss	<u>\$ (24,228)</u>

*See accompanying notes.*

**CONNELL SECURITIES LLC**  
Statement of Changes in Member's Equity  
For the Year Ended December 31, 2013

Balance, January 1, 2013	\$ 588,556
Net loss	<u>(24,228)</u>
Balance, December 31, 2013	<u><u>\$ 564,328</u></u>

*See accompanying notes.*

**CONNELL SECURITIES LLC**  
Statement of Cash Flows  
For the Year Ended December 31, 2013

Cash flows from operating activities:	
Net loss	\$ (24,228)
Adjustments to reconcile net loss to net cash used by operating activities:	
Increase in prepaid expenses	(1,100)
Increase in due to Member	2,815
Increase in accrued expenses	<u>15,335</u>
Net cash used by operating activities and net decrease in cash	(7,178)
Cash, beginning of year	<u>653,455</u>
Cash, end of year	<u><u>\$ 646,277</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>

*See accompanying notes.*

# CONNELL SECURITIES LLC

## Notes to Financial Statements

December 31, 2013

### 1. Organization and Operations

Connell Securities LLC (the Company) is organized as a limited liability company. The Company's business activities consist of private placements of securities and rendering corporate financial advice. The Company is a registered broker/dealer with the Securities and Exchange Commission (SEC) and the New Jersey Bureau of Securities (NJBS) and is a member of the Financial Industry Regulatory Authority (FINRA).

### 2. Significant Accounting Policies

#### Basis of Presentation

The Company maintains its books and records on the accrual basis, in accordance with accounting principles generally accepted in the United States.

#### Cash

The Company, at times, maintains cash in deposit accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Company has not experienced any losses on such accounts.

#### Revenue Recognition

Fee income is recognized at the time the financing transaction is completed and the income is determinable.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# CONNELL SECURITIES LLC

## Notes to Financial Statements

December 31, 2013

### 2. Significant Accounting Policies (Continued)

#### Income Taxes

The Company is a Single Member Limited Liability Company and is therefore treated as a disregarded entity for income tax purposes. The financial statements do not include provision for income taxes as the Company's earnings and losses are included in the Member's income tax returns and are taxed based on the Member's effective tax rate.

### 3. Related Party Transactions

For the year ended December 31, 2013 the Company received fees for services provided to its Member in the amount of \$309,900. These fees were earned for services rendered in connection with the arranging of financing for an affiliate. The Company does not have any employees. The Member provides these services and bills the Company for the related employee cost based on the hours worked. In addition the Member pays certain of the Company's operating expenses and is then reimbursed by the Company. Both of these costs are charged to the Company in accordance with guidance on the recording of expenses and liabilities of broker/dealers issued by the SEC. The total of these employee costs and operating expenses amounted to \$299,611 for the year ended December 31, 2013.

### 4. Net Capital Requirements

As a registered broker/dealer the Company is subject to SEC Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness.

At December 31, 2013 the Company's net capital of \$560,131 exceeded the SEC required net capital by \$554,388.

### 5. Subsequent Events

The Company has evaluated subsequent events through February 28, 2014, the date these financial statements were issued.

**SUPPLEMENTARY INFORMATION**

**CONNELL SECURITIES LLC**

**Schedule I**

**Computation for Determination of Reserve Requirements and  
Information Relating to Possession or Control Requirements  
for Brokers and Dealers Pursuant to Rule 15c3-3**

**December 31, 2013**

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(i) under the Securities Exchange Act of 1934.

**CONNELL SECURITIES LLC**  
Schedule II  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of December 31, 2013

**Net Capital:**

Total Member's equity	\$ 564,328
Total capital	<u>564,328</u>
Deduction:	
Nonallowable assets	4,197
Net capital	<u>\$ 560,131</u>
Aggregate Indebtedness (A.I.)	<u>\$ 86,146</u>

**Computation of Basic Net Capital Requirement:**

(1) Minimum net capital required (6-2/3% of total A.I.)	<u>\$ 5,743</u>
(2) Minimum dollar net capital requirement of broker/dealer	<u>\$ 5,000</u>
Net capital requirement (greater of (1) or (2))	<u>\$ 5,743</u>
Excess net capital	<u>\$ 554,388</u>
Percentage of Aggregate Indebtedness to Net Capital	<u>15%</u>

There are no material differences between the audited computation above and the computation of Net Capital included in the unaudited FOCUS as filed on January 27, 2014.



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## **Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)**

To the Member of Connell Securities LLC

In planning and performing our audit of the financial statements of Connell Securities LLC (the Company), as of and for the year ended December 31, 2013 in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company including any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



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Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and other recipients specified by Rule 17a-5(d)(6), and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

February 28, 2014