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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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MAR 04 2014  
SECTION 17

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

RECEIVED  
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SECTION 17

SEC FILE NUMBER
8-51324

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 01/01/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Park Avenue Securities LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

7 Hanover Square, 4th Floor

(No. and Street)

New York

New York

10004

(City)

(State)

(Zip Code)

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

John Walter

—212-598-1398

**B. ACCOUNTANT IDENTIFICATION**

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

Pricewaterhousecoopers LLP

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

300 Madison Avenue

New York

New York

10017

(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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3/24/14

OATH OR AFFIRMATION

I, John Walter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Park Avenue 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:

Tanice Quiroz  
Notary Public, State of New York  
No. 01QU5076998  
Qualified in New York County  
Commission Expires: October 26, 2016

John Walter  
Signature  
Chief Financial Officer  
Title

Tanice Quiroz  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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



# **Park Avenue Securities LLC**

(An indirect wholly owned subsidiary of  
Guardian Life Insurance Company of America)

**Statement of Financial Condition**

**December 31, 2013**

**Park Avenue Securities LLC**  
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**December 31, 2013**

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## **Independent Auditor's Report**

To The Board of Managers and Member of  
Park Avenue Securities LLC:

We have audited the accompanying statement of financial condition of Park Avenue Securities LLC (the "Company") as of December 31, 2013.

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

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 a 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 from 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 our 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, we consider 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 accompanying statement of financial condition presents fairly, in all material respects, the financial position of the Company at December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As discussed in Note 3 to the financial statements, the Company has entered into significant transactions with the Guardian Life Insurance Company of America, a related party, and its affiliates.

*PricewaterhouseCoopers LLP*

February 28, 2014

**Park Avenue Securities LLC**  
**Statement of Financial Condition**  
**December 31, 2013**

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<b>Assets</b>	
Cash and cash equivalents	\$ 29,197,577
Cash segregated under federal regulations	1,000
Deposits with clearing organizations	84,415
Receivable from broker-dealer	1,545,585
Receivable from registered representatives, less allowance for bad debts of \$ 298,815	1,082,215
Commissions receivable	5,969,030
Deferred tax asset	643,228
Other assets	2,312,425
Total assets	<u>\$ 40,835,475</u>
<b>Liabilities and Member's Equity</b>	
Due to Guardian Life Insurance Company of America	\$ 12,061,034
Commissions payable	9,472,116
Other liabilities	2,875,086
Total liabilities	<u>24,408,236</u>
Member's equity	<u>16,427,239</u>
Total liabilities and member's equity	<u>\$ 40,835,475</u>

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

**Park Avenue Securities LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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**1. Organization and Nature of Business**

Park Avenue Securities LLC (the "Company") is a registered broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). The Company is also a registered investment advisor under the Investment Advisers Act of 1940. The Company is a Delaware Limited Liability Company that is a wholly owned subsidiary of The Guardian Insurance and Annuity Company, Inc. ("GIAC"), which is ultimately a wholly owned subsidiary of Guardian Life Insurance Company of America ("Guardian Life").

The Company's business as a securities broker-dealer consists of selling products offered by GIAC and Guardian Investor Services, LLC ("GIS"), both affiliated entities, as well as third party sponsors. Such products include mutual funds, variable annuities, variable life insurance, 401(k) plans and investment advisory services. The Company also acts as a broker in the purchase and sale of securities.

**2. Significant Accounting Policies**

**Basis of Presentation**

The Company's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

**Use of Estimates**

The preparation of these financial statements in conformity with GAAP 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, as well as the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts on deposit with banks and highly liquid investments with an original maturity of three months or less. They are reported in the statement of financial condition at cost, which approximates fair value.

Cash segregated under federal regulations represents funds collected from customers and payable to mutual fund sponsors as a result of the sale of mutual fund shares. Such payables are included in Other liabilities.

**Receivable from Broker-Dealer**

The Company clears its proprietary and certain customer transactions through another broker-dealer on a fully disclosed basis. The Receivable from broker-dealer at December 31, 2013 includes advisory fees and commissions receivable.

**Receivable from Registered Representatives**

Receivable from registered representatives is stated net of the allowance for doubtful accounts. This reserve is based upon the evaluation of accounts receivable aging, specific exposures and historical trends.

**Park Avenue Securities LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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**Due to Guardian Life Insurance Company of America**

Amounts payable consist of general operating expenses and income taxes due to Guardian Life.

**Federal Income Taxes**

The Company is organized as a limited liability company and is thereby treated as a disregarded entity for federal and state income tax purposes. As such, the Company's results are included in the consolidated federal income tax returns of Guardian Life. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with an agreement which provides that each member of the group is allocated its share of the consolidated tax provision or benefit determined generally on a separate company basis, but does recognize the tax benefits of net operating losses or capital losses utilizable in the consolidated return. For state tax purpose, since GIAC is an insurance company, it is generally subject to tax on gross premium rather than tax on income. However, in those years where GIAC is subject to a state income tax, such income will be subject to the group's tax allocation agreement. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement within 30 days of the filing of the consolidated returns.

Current Federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred Federal income tax assets and liabilities are recognized for expected future tax consequences of temporary differences between GAAP and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby GAAP and tax balance sheets are compared. Deferred income tax assets and liabilities are recognized for the future tax consequence of temporary differences between financial statement carrying amounts and income tax bases of assets and liabilities.

The Company follows GAAP accounting guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken or expected-to-be taken in a tax return. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and additional disclosures.

**Revenue and Expense Recognition**

Proprietary securities transactions are recorded on a trade date basis. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Commissions earned and related commission expenses from customers' securities transactions are recorded on a trade date basis. Advisory fees are based on the market value of the assets under management and recorded over the period in which they are earned.

**Recent Accounting Pronouncements**

**Income Taxes**

In July 2013, the FASB issued guidance which clarifies that:

- An unrecognized tax benefit should be presented in the financial statement as a reduction to a deferred tax asset for a net operating loss carry-forward, a similar tax loss or a tax credit carry-forward, except,
- An unrecognized tax benefit should be presented as a liability and not be combined with a

**Park Avenue Securities LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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deferred tax asset (i) to the extent a net operating loss carry-forward, a similar tax loss or a tax credit carry-forward is not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or (ii) the tax law does not require the entity to use, or the entity does not intend to use, the deferred tax asset for such a purpose.

- The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

This guidance is effective for years and interim periods, beginning after December 15, 2014 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The Company is currently assessing the impact of the guidance on the Company's financial statements.

**3. Related Party Transactions**

A significant portion of the Company's revenues and expenses relate to transactions with Guardian Life and its affiliates.

Pursuant to an expense sharing agreement, Guardian Life charges the Company for the services of certain employees of Guardian Life engaged in the Company's business and for the Company's use of Guardian Life's centralized services such as equipment, data processing and communications. During 2013, the amounts charged for these services amounted to \$42,056,691, which is comprised of General and administrative expenses of \$40,069,083 and payroll, sales taxes and license fees of \$1,987,609. The total payable under this agreement at December 31, 2013 was \$12,019,355.

During the year, the Company earned revenues of \$52,629,917 from GIAC for sales of GIAC's variable annuity and variable life insurance products, which is included in Commissions. At December 31, 2013, the receivable for such revenues was \$184,258 and is included in Commissions receivable.

During the year, the Company earned revenues of \$1,365,058 from GIS for selling shares of RS Funds, which is included in Commissions. At December 31, 2013, the receivable for such revenues was \$86,017 and is included in Commissions receivable.

Refer to Note 6 for related party transactions related to Federal Income Tax.

**4. Fair Value of Financial Instruments**

Fair value is defined as 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. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions based on internally developed data in the absence of observable market information. The guidance requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when determining the fair value of an asset or liability. The statement classifies all assets and liabilities carried or disclosed at fair value in one of the following three categories:

**Park Avenue Securities LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

Level 1 – inputs are quoted market prices available in active markets for identical assets or liabilities on the reporting date.

Level 2 – inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – inputs are unobservable where there is little or no market activity for the asset or liability and the Company makes estimates and assumptions based on internally derived information.

The company did not hold any financial instruments at fair value on its Statement of Financial Condition as of December 31, 2013.

The following table summarizes the Company’s financial instruments not carried at fair value on the Statement of Financial Condition by their fair value hierarchy levels as of December 31, 2013:

	For the Year Ended December 31, 2013				Total Estimated Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets</b>					
Cash and cash equivalents	\$ 29,197,577	\$ 29,197,577	\$ -	\$ -	\$ 29,197,577
Cash segregated under federal regulations	1,000	1,000	-	-	1,000
Deposits with clearing organizations	84,415	-	84,415	-	84,415
Receivable from broker-dealer	1,545,585	-	1,545,585	-	1,545,585
Receivable from registered representatives	1,082,215	-	1,082,215	-	1,082,215
Commissions receivable	5,969,030	-	5,969,030	-	5,969,030
	<u>\$ 37,879,822</u>	<u>\$ 29,198,577</u>	<u>\$ 8,681,245</u>	<u>\$ -</u>	<u>\$ 37,879,822</u>
<b>Liabilities</b>					
Commissions payable	\$ 9,472,116	\$ -	\$ 9,472,116	\$ -	\$ 9,472,116
Due to GLIC	12,061,034	-	12,061,034	-	12,061,034
Other liabilities	2,875,086	-	2,875,086	-	2,875,086
	<u>\$ 24,408,236</u>	<u>\$ -</u>	<u>\$ 24,408,236</u>	<u>\$ -</u>	<u>\$ 24,408,236</u>

In determining fair value, the carrying value of Cash and cash equivalents, Cash segregated under federal regulations, and receivable and payables arising in the ordinary course of business approximate fair value because of the relatively short period of time between their origination and expected maturity, and collectability.

**5. Other Liabilities**

Other liabilities include reserves for litigation and unpaid operating expenses.

**6. Income Taxes**

The components of the net deferred tax asset as of December 31, 2013 were as follows:

**Park Avenue Securities LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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Deferred tax assets	
Reserve for Litigation	\$ 705,250
Restructuring Fees	413,343
Allowance for Bad Debt	<u>104,585</u>
Deferred tax assets	<u>\$ 1,223,178</u>
Deferred tax liabilities	
Contingent Insurance Receivable	\$ (579,250)
Unrealized Losses	<u>(700)</u>
Deferred tax liabilities	<u>\$ (579,950)</u>
Net deferred tax assets	\$ 643,228

The Company's deferred taxes primarily reflect temporary differences related to allowances for bad debt expense and accruals for loss contingencies.

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes. A valuation allowance is recorded to reduce any portion of the deferred tax asset that is expected to more likely than not be realized.

The gross deferred tax asset relates to temporary differences that are expected to reverse as net ordinary deductions. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided. At December 31, 2013, the Company recorded a current Federal income tax receivable of \$41,679 due from Guardian Life in the accompanying Statement of Financial Condition and is included in Due from Guardian Life Insurance Company of America.

**7. Regulatory Requirements**

The Company is subject to the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness. At December 31, 2013, the Company had net capital of \$4,920,821, which was \$3,293,171 above the \$1,627,650 required to be maintained. The ratio of aggregate indebtedness to net capital was 4.96 to 1. The Company is exempt from Rule 15c3-3 of the Securities Exchange Act of 1934 under paragraphs (k)(2)(i) and (k)(2)(ii) of that rule.

**8. Off-Balance Sheet Risk**

In the normal course of business, securities transactions of customers are introduced and cleared through a clearing broker. Pursuant to an agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for certain losses that result from transactions with such customers. The Company clears certain mutual fund transactions directly with sponsors. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations, and the Company has to sell the mutual fund at a loss.

**Park Avenue Securities LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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The Company's policy is to monitor its customer and counter-party risk through the use of a variety of credit exposure reporting and control procedures, including reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business.

The Company, in its normal course of business, may enter into other legal contracts that contain several of these representations and warranties which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote.

**9. Contingencies**

The Company is involved in several lawsuits and claims from customers that allege violations of federal and state securities laws that arise in the ordinary course of business. While it is not possible to predict with certainty the ultimate outcome of these lawsuits and claims, management believes, after consultation with counsel, that resolution of these matters is not expected to have a material effect on the Company's financial condition or liquidity. These matters, if resolved in a manner different from the estimates, could have a material adverse effect on earnings, financial condition, or cash flows when resolved in a future reporting period.

**10. Subsequent Events**

The Company considers events occurring after the balance sheet date but prior to February 28, 2014, the issuance date of the financial statements, to be subsequent events potentially requiring disclosure. There were no subsequent events for this period.



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