

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

9/23/13

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

FEB 28 2014
Washington DC
404

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:
National Alliance Securities, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

1605 LBJ Freeway, Suite 710

(No. and Street)

Dallas
(City)

Texas
(State)

75234
(Zip Code)

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

Bradford A. Phillips

(469) 522-4309

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Brad A. Kinder, CPA

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

815 Parker Square
(Address)

Flower Mound
(City)

Texas
(State)

75028
(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

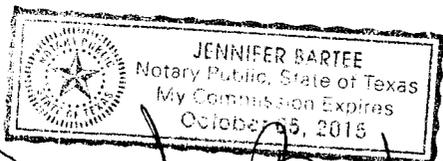
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

CA
5/21/14

OATH OR AFFIRMATION

I, Bradford A. Phillips, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of National Alliance 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:

NONE



Jennifer Bartee
Notary Public

BAP

Signature

President

Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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).

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BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028
972-899-1170 • FAX 972-899-1172

INDEPENDENT AUDITOR'S REPORT

Managing Members
National Alliance Securities, LLC

We have audited the accompanying financial statements of National Alliance Securities, LLC (the Company), which comprise the statement of financial condition as of December 31, 2013, and the related statements of income, changes in members' capital, 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 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 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 Company'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 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 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 National Alliance 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedule I 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 in Schedule I 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 in Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.


BRAD A. KINDER, CPA

Flower Mound, Texas
February 27, 2014

NATIONAL ALLIANCE SECURITIES, LLC
Statement of Financial Condition
December 31, 2013

Assets

Cash and cash equivalents	\$ 75,323
Cash segregated under federal regulations	105,309
Certificate of deposit	64,668
Receivable from clearing broker-dealers	1,340,248
Accounts receivable - other	105,870
Debt securities, at fair value	53,553,002
Debt securities purchased under agreements to resell	9,275,000
Trading deposit	8,209,608
Clearing deposits	350,000
Property and equipment, net of accumulated depreciation of \$119,404	101,691
Other assets	99,840
	<hr/>
TOTAL ASSETS	\$ 73,280,559
	<hr/> <hr/>

Liabilities and Members' Capital

Liabilities

Accounts payable and accrued expenses	\$ 285,838
Accrued compensation payable	863,553
State income taxes payable	40,000
Debt securities sold, not yet purchased	38,072,349
Debt securities sold under agreements to repurchase	10,407,948
Payable to clearing broker-dealer	14,289,167
	<hr/>
Total Liabilities	63,958,855
	<hr/>

Members' capital	9,321,704
	<hr/>

TOTAL LIABILITIES AND MEMBERS' CAPITAL	\$ 73,280,559
	<hr/> <hr/>

See accompanying notes to financial statements.

NATIONAL ALLIANCE SECURITIES, LLC

Statement of Income

For the Year Ended December 31, 2013

Revenue

Trading profits, net of trading interest expense of \$872,094	\$ 3,756,449
Securities commissions	9,369,323
Other revenue	239,967
Interest	<u>3,079,752</u>
Total Revenue	<u>16,445,491</u>

Expenses

Administrative costs - related party	60,000
Clearing and execution costs	1,125,469
Communications	93,541
Compensation and related costs	11,507,416
Depreciation	90,207
Dues and subscriptions	426,898
News and quotes	2,029,468
Occupancy and equipment	435,134
Other expenses	166,108
Professional fees	259,788
Regulatory fees	188,155
Travel and entertainment	<u>282,564</u>
Total Expenses	<u>16,664,748</u>
Net loss before income taxes	(219,257)
Income tax expense - states	<u>(44,666)</u>
NET LOSS	<u><u>\$ (263,923)</u></u>

See accompanying notes to financial statements.

NATIONAL ALLIANCE SECURITIES, LLC
Statement of Changes in Members' Capital
For the Year Ended December 31, 2013

	<u>Members'</u> <u>Units</u>	<u>Members'</u> <u>Capital</u>
Balances at December 31, 2012	10,633,750	\$ 10,132,949
Members' capital contributions	1,546,000	1,323,642
Members' capital withdrawals	(1,654,218)	(1,415,139)
Distributions to members'	-	(455,825)
Net loss	<u>-</u>	<u>(263,923)</u>
Balances at December 31, 2013	<u><u>10,525,532</u></u>	<u><u>\$ 9,321,704</u></u>

See accompanying notes to financial statements.

NATIONAL ALLIANCE SECURITIES, LLC
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows From Operating Activities:	
Net Loss	\$ (263,923)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Unrealized gain on debt securities	(679,176)
Depreciation	90,207
Change in assets and liabilities	
Increase in cash segregated under federal regulations	(91,600)
Decrease in receivable from clearing broker-dealers	428,516
Increase in accounts receivable - other	(73,674)
Decrease in debt securities, at fair value	37,490,434
Increase in debt securities purchased under agreements to resell	(4,043,000)
Decrease in trading deposit	1,094,352
Increase in clearing deposits	(100,000)
Decrease in other assets	96,219
Increase in accounts payable and accrued expenses	60,490
Decrease in accrued compensation payable	(174,715)
Decrease in federal income tax payable	(111,984)
Decrease in state income taxes payable	(16,086)
Increase in debt securities sold, not yet purchased	4,544,588
Decrease in debt securities sold under agreements to repurchase	(16,443,699)
Decrease in payable to clearing broker-dealer	<u>(21,468,178)</u>
Net cash provided by operating activities	<u>338,771</u>
Cash Flows From Investing Activities:	
Increase in certificate of deposit	(348)
Purchases of property and equipment	<u>(33,214)</u>
Net cash used in investing activities	<u>(33,562)</u>
Cash Flows From Financing Activities:	
Members' capital contributions	1,323,642
Members' capital withdrawals	(1,415,139)
Distributions to members'	<u>(455,825)</u>
Net cash used in financing activities	<u>(547,322)</u>
Net decrease in cash and cash equivalents	(242,113)
Cash and cash equivalents at beginning of year	<u>317,436</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 75,323</u></u>

Non - cash investing activities:

The Company disposed or retired fully depreciated property and equipment with an original cost of \$61,742 during the year.

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Interest	<u>\$ 872,094</u>
Income taxes - states	<u>\$ 44,666</u>

See accompanying notes to financial statements.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

National Alliance Securities, LLC (Company), formerly, National Alliance Securities Corporation (NASC) began operations in June 2003, under the laws of the State of Nevada. NASC converted from a corporation to a limited liability company effective December 31, 2012. The conversion was a change in legal form and tax status. The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer in securities and is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC).

The Company's operations consist primarily in trading of debt securities for its own account and brokering debt securities for institutional customers. The Company also trades debt securities in the secondary wholesale market. The Company's securities trading and brokering consist primarily in U.S. government securities, mortgage backed securities, municipal bonds and corporate bonds. The majority of the Company's customers are institutions and broker-dealers located throughout the United States.

The Company operates under the exemptive provisions of Rule 15c3-3(k)(2) (ii) of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities, but as an introducing broker-dealer, clears all transactions on behalf of customers on a fully disclosed basis through clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer. The Company's trading for its own account is also executed through its primary clearing broker-dealer.

Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds and highly liquid investments with original maturity dates of three months or less, excluding cash segregated under federal regulations, clearing deposits and trading deposit.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Debt Securities

Debt securities are held for trading purposes, recorded on the trade date and valued at their estimated fair value, as described in Note 2. The increase or decrease in fair value is included in trading profits in the accompanying statement of income.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and consists of office furniture and equipment. Depreciation is provided using the straight-line method based on estimated useful lives of two to five years.

Debt Securities Sold, Not Yet Purchased

Debt securities sold, not yet purchased consist of debt securities the Company has sold that it does not currently own and will therefore be obligated to purchase such securities at a future date. These obligations are recorded on the trade date and valued at their estimated fair value, as described in Note 2. The increase or decrease in fair value is included in trading profits in the accompanying statement of income.

Collateralized Financing Agreements

Transactions involving debt securities purchased under agreements to resell (reverse repurchase agreements or reverse repos) and debt securities sold under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized agreements or financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Reverse repos and repos are initially recorded at their contracted resale or repurchase amounts. Interest on such contract amounts is accrued and is included in repo and reverse repo balances.

Revenue Recognition

Trading profits, securities commissions and the related expenses are recorded on a trade date basis as the transactions occur.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Soft Dollar Transactions

The Company segregates cash under federal regulations for the benefit of customers related to soft dollar transactions. Qualified research expenses designated by soft dollar customers are paid by the Company from segregated cash.

Income Taxes/Change in Tax Status

The Company converted from a corporation to a limited liability company effective December 31, 2012. The Company will file its federal income tax return as a partnership beginning 2013 and as a result is not subject to federal income taxes. The resulting taxable income or loss of the Company is includable in the income tax returns of the members. Therefore, there is no provision for federal income taxes.

The Company is subject to various state taxes.

The Company is required to determine whether a tax position taken or expected to be taken on a tax return is more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. The Company has reviewed all open tax years and concluded that there are no unrecognized tax benefits that would have a material impact on the Company's financial position. As of December 31, 2013, open federal tax years include the tax years ended December 31, 2010 through December 31, 2012.

Note 2 - Fair Value of Financial Instruments

Fair value accounting standards establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. The hierarchy prioritizes inputs and valuation techniques used to develop the measurements of fair value into three levels.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 2 - Fair Value of Financial Instruments (continued)

The three broad levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurements.

Level 2 – Fair value is based on 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 in which are significant inputs and significant value drivers are observed in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances prices vary substantially over time or among brokered market makers.

Level 3 – Fair value is model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

Following is a description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis.

Investments in debt securities, reverse repurchase agreements, repurchase agreements and debt securities sold, not yet purchased are carried at estimated fair value and categorized as level 2 of the fair value hierarchy. Fair value has been measured by the Company's primary clearing broker-dealer or by pricing services used by the clearing broker-dealer using the actual trading prices of similar securities. When trading prices are not available for similar securities the pricing services use market observable inputs in determining the valuation for a security based on underlying characteristics of the debt instruments.

Substantially all of the Company's other financial asset and liability amounts reported in the statement of financial condition are short term in nature and approximate fair value.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 2 - Fair Value of Financial Instruments (continued)

The following table summarizes the valuation of the Company's major security types by the fair value hierarchy levels as of December 31, 2013.

	Level 1	Level 2	Level 3	Total
Assets				
Debt Securities Purchased Under				
Agreements to Resell	\$ -	\$ 9,275,000	\$ -	\$ 9,275,000
Debt Securities Owned	<u>-</u>	<u>53,553,002</u>	<u>-</u>	<u>53,553,002</u>
Totals	<u>\$ -</u>	<u>\$ 62,828,002</u>	<u>\$ -</u>	<u>\$ 62,828,002</u>
Liabilities				
Debt Securities Sold Under Agreements				
to Repurchase	\$ -	\$ 10,407,948	\$ -	\$ 10,407,948
Debt Securities Sold, Not Yet Purchased	<u>-</u>	<u>38,072,349</u>	<u>-</u>	<u>38,072,349</u>
Totals	<u>\$ -</u>	<u>\$ 48,480,297</u>	<u>\$ -</u>	<u>\$ 48,480,297</u>

Transfers between levels are recognized at the end of the reporting period. During the year ended December 31, 2013, the Company recognized no transfers to/from level 1 and level 2. There were no level 3 investments held by the Company during 2013.

Note 3 - Transactions with Clearing Broker-Dealers

The Company has a clearing agreement with its primary clearing broker-dealer, First Southwest Company (FSW), to provide execution and custody of debt security transactions for customers and trading for its own account. Clearing charges are incurred at a fixed rate multiplied by the number of tickets traded by the Company. The clearing agreement requires the Company to maintain a minimum clearing deposit of \$250,000.

The Company also has a trading deposit with FSW in the amount of \$8,209,608 at December 31, 2013. The trading deposit is required to satisfy margin requirements associated with the Company's trading inventory. The amount of margin required fluctuates on a daily basis depending on the amount and type of securities held in the Company's inventory trading accounts.

The Company had a payable to FSW of \$14,289,168 at December 31, 2013. The payable balance fluctuates on a daily basis as the Company purchases and sells securities through FSW for its own account. Interest is calculated daily (1.625% at December 31, 2013), based on a fixed spread over the federal funds rate and paid monthly. The Company's debt securities owned are held by FSW as collateral.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 3 - Transactions with Clearing Broker-Dealers (continued)

During 2013, the Company entered into a clearing agreement with ConvergEx Execution Solutions LLC (ConvergEx) to provide execution and custody of customer equity based transactions. Clearing charges are incurred at a fixed rate multiplied by the number of tickets traded by the Company. The clearing agreement requires the Company to maintain a minimum clearing deposit of \$100,000.

During 2013, the Company entered into a clearing agreement with G-Trade Services LLC (G-Trade) to provide execution and custody of customer international equity based transactions. The Company did not execute any international equity based transactions during 2013.

Note 4 - Debt Securities Purchased Under Agreements to Resell

Debt securities purchased under agreements to resell are collateralized financing agreements for debt securities the Company financed. Reverse repurchase activities were transacted under a master repurchase agreement with a national broker-dealer (borrower). The Company receives collateral in the form of debt securities in connection with debt securities financed. The agreement gives the Company a right, in the event of default, to liquidate the collateral held and to offset any receivable from the borrower. There were five reverse repurchase transactions outstanding at December 31, 2013 with a total contracted repurchase amount of \$9,275,000. The fair value of debt securities received as collateral under agreements to resell totaled \$8,959,024. The collateral deficit of \$315,976 is recorded as an other deduction in the computation of net capital. The Company is permitted to and sold the securities held as collateral; therefore, is obligated to purchase similar securities at the future date to close the reverse repurchase transactions. In the event the collateral value decreases, additional collateral would be required. Interest varies on each repurchase transaction, is calculated daily, (0.05% to 0.35% at December 31, 2013), based on a fixed spread over the federal funds rate and received when the obligations are settled.

Note 5 - Debt Securities Sold Under Agreements to Repurchase

Debt securities sold under agreements to repurchase are collateralized financing agreements for debt securities the Company owns. Repurchase activities were transacted under a master repurchase agreement with a national broker-dealer (lender). The Company pledges debt securities to collateralize repurchase agreements. The agreements give the lender a right, in the event of default, to liquidate the collateral held and to offset any receivables from the Company. There were seventeen repurchase transactions outstanding at December 31, 2013 with a total contracted repurchase liability of \$10,407,948. The fair value of debt securities provided by the Company as collateral under these agreements to repurchase totaled \$11,518,853. The Company has recorded a repo deficit deduction of \$369,684 in the computation of net capital. In the event the collateral value decreases, additional collateral would be required.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 5 - Debt Securities Sold Under Agreements to Repurchase (continued)

Interest varies on each repurchase transaction, is calculated daily, (0.70% at December 31, 2013), based on a fixed spread over the federal funds rate and paid when the obligations are settled.

Note 6 - Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2013, the Company had net capital of \$3,982,808, which was \$3,682,468, in excess of its required net capital of \$300,340. The Company's net capital ratio was 1.13 to 1.

Note 7 - Deferred Compensation Plan

The Company has a deferred compensation plan for certain traders. Under this plan, deferred compensation amounts are accrued monthly based on individual trader profitability and is paid in cash over the following two years. For the year ended December 31, 2013, the Company incurred deferred compensation expense of \$3,687, which is recorded as compensation and related costs in the accompanying statement of income. At December 31, 2013, the Company had deferred compensation payable totaling \$46,291, which is included in accrued commission payable in the accompanying statement of financial condition.

Note 8 - Retirement Plan

The Company has a 401(k) profit sharing plan covering substantially all employees. Under this plan, employees may make elective contributions as allowed under federal law and the Company may make matching and discretionary contributions. Employee contributions and Company contributions are vested immediately. For the year ended December 31, 2013, the Company made no matching or profit sharing contribution. The Company incurred \$2,950 in expenses related to the plan. Plan expenses are recorded as compensation and related costs in the accompanying statement of income.

Note 9 - Related Party Transactions

Pillar Income Asset Management (Pillar), a related party, regularly advances payroll and other costs on behalf of the Company, which the Company settles on a regular basis. The Company incurred and paid administrative costs to Pillar in the amount of \$60,000 during the year. There is no amount due to or from Pillar at December 31, 2013.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 9 - Related Party Transactions (continued)

The Company's corporate office space located in Dallas, TX is provided by Liberty Bankers Life Insurance Company, a related party, at no cost.

The Company has a related party customer with a margin debit balance due to the Company's primary clearing broker-dealer requiring a net capital deduction. See Note 10, Commitments and Contingencies.

Note 10 - Commitments and Contingencies

Operating Leases:

The Company leases branch office facilities in San Francisco, CA, Stamford, CT, Boston, MA, Raleigh, NC, Bedminster, NJ, Red Bank, NJ, New York, NY, Austin, TX, and Houston, TX under non-cancellable operating lease agreements expiring at various times from 2014 thru 2017. The Company's corporate office space located in Dallas, TX is provided by a related party at no cost. Rent expense for the year totaled \$389,199 and is reflected in the accompanying statement of income as occupancy and equipment costs.

Future minimum lease commitments for each of the years ending December 31 are as follows:

2014	\$ 256,080
2015	194,778
2016	162,314
2017	19,552
Total	<u>\$ 632,724</u>

Contingencies:

The nature of the Company's business subjects it to various claims, regulatory examinations, other proceedings, and legal actions in the ordinary course of business. In January 2013, a FINRA arbitration was filed by another broker-dealer against the Company, two of its current officers/members and one former officer/member seeking material damages. All three previously worked at the other broker-dealer who alleged they caused others to follow and used confidential information. Damages of \$3,315,712 have been claimed. No evaluation of the likely outcome or reasonable estimate of range of potential loss can be made by the Company after consultation with legal counsel. The Company intends to vigorously defend itself and all parties against this arbitration; however, the ultimate outcome of this arbitration could have an adverse impact on the financial condition, results of operations, or cash flows of the Company.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 10 - Commitments and Contingencies (continued)

Contingencies (continued):

The Company has a related party customer with a margin debit balance due to the Company's primary clearing broker-dealer totaling approximately \$1.6 million at December 31, 2013. The related party customer, an officer/member of the Company and other related parties have pledged assets as collateral against the margin balance due with an aggregate fair value of approximately \$1 million. Assets pledged include securities with a total value in excess of \$13 million; however, the securities limited volume requires a fair value reduction for net capital purposes. The customer margin debit balance in excess of pledged collateral at fair value of \$605,575 is recorded as an other deduction in the computation of net capital. The margin debit balance due to the clearing broker-dealer is being reduced by customer monthly payments towards the debit balance.

Note 11 - Off-Balance-Sheet Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that Customer transactions are executed properly by the clearing broker-dealer. See Note 10, Commitments and Contingencies.

The Company has sold securities that it does not own and will therefore be obligated to purchase such securities at a future date. The Company records these obligations in the financial statements at fair values of the related securities and will incur a loss if the fair value of the securities subsequently increases.

Note 12 - Concentration of Credit Risk

The Company is subject to concentration risk by holding large positions in debt securities.

The Company has a receivable, debt securities, trading deposit and a clearing deposit, due from and held by its primary clearing broker-dealer, FSW, totaling \$63,174,078 or approximately 86% of total assets at December 31, 2013.

The Company also has securities sold, not yet purchased and a payable to its primary clearing broker-dealer, FSW, totaling \$52,361,516 or approximately 82% of total liabilities.

NATIONAL ALLIANCE SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

Note 13 - Subsequent Events

During January 2014, 218,000 members' units were issued for capital contributions totaling \$208,097.

During January 2014, 268,000 members' units were cancelled for capital withdrawals totaling \$255,826.

During February 2014, 10,490 members' units were cancelled for capital withdrawals totaling \$10,000.

Management has evaluated the Company's events and transactions that occurred subsequent to December 31, 2013, through February 27, 2014, the date financial statements were available to be issued.

Supplementary Schedule I

NATIONAL ALLIANCE SECURITIES, LLC
Supplementary Information Pursuant to Rule 17a-5
December 31, 2013

Computation of Net Capital

Total members' capital qualified for net capital	\$ 9,321,704
Deductions and/or charges	
Non-allowable assets:	
Accounts receivable - other	105,870
Property and equipment, net	101,691
Other assets	99,840
Other deductions/or charges	<u>1,291,883</u>
Total deductions and/or charges	<u>1,599,284</u>
Net capital before haircuts on securities positions	<u>7,722,420</u>
Haircuts on securities:	
Money market funds and certificate of deposit	17,820
U.S. Government obligations	1,696,117
State and municipal government obligations	1,402,307
Corporate obligations	571,484
Other	2,228
Undue concentration	<u>49,656</u>
Total haircuts on securities	<u>3,739,612</u>
Net Capital	<u><u>\$ 3,982,808</u></u>

Aggregate Indebtedness

Accounts payable and accrued expenses	\$ 285,838
Accrued commissions payable	863,553
State income taxes payable	40,000
Unrecorded contingent amount (Note 10)	<u>3,315,712</u>
Total aggregate indebtedness	<u><u>\$ 4,505,103</u></u>

Computation of Basic Net Capital Requirement

Minimum net capital required (greater of \$250,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 300,340</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 3,682,468</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>1.13 to 1</u></u>

See accompanying independent auditor's report.

Supplementary Schedule I (continued)

**NATIONAL ALLIANCE SECURITIES, LLC
Supplementary Information Pursuant to Rule 17a-5
December 31, 2013**

Reconciliation of Computation of Net Capital

The computation of net capital does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2013 as filed by National Alliance Securities, LLC on form X-17a-5. Accordingly no reconciliation is necessary.

Statement of Changes in Liabilities Subordinated to Claims of General Creditors

No statement is required as no subordinated liabilities existed at any time during the year.

Statement Regarding Reserve Requirements and Possession or Control Requirements

The Company operates pursuant to section (k)(2)(ii) exemptive provisions of Rule 15c3-3 of the Securities Exchange Act of 1934. Under these exemptive provisions, the Computation of Determination of the Reserve Requirements and Information Relating to the Possession or Control Requirements are not required.

See accompanying independent auditor's report.

BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028
972-899-1170 • FAX 972-899-1172

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

Managing Members
National Alliance Securities, LLC

In planning and performing our audit of the financial statements of National Alliance 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 of America, we considered the Company's 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. This 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 (or aggregate debits) 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 in 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 previously 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.

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 company'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 would not necessarily identify all deficiencies in internal control that might be 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 previously.

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, Financial Industry Regulatory Authority, Inc., 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 is not intended to be and should not be used by anyone other than these specified parties.


BRAD A. KINDER, CPA

Flower Mound, Texas
February 27, 2014

BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028
972-899-1170 • FAX 972-899-1172

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION

Managing Members
National Alliance Securities, LLC

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 December 31, 2013, which were agreed to by National Alliance 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 National Alliance Securities, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). National Alliance Securities, LLC's management is responsible for the National Alliance Securities, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 record entries, (check issued and wire transfer), noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, (there were no adjustments), 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, (none), 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.


BRAD A. KINDER, CPA

Flower Mound, Texas
February 27, 2014

SIPC-7

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION

P.O. Box 92185 Washington, D.C. 20090-2185

202-371-8300

General Assessment Reconciliation

For the fiscal year ended 12/31/2013

(Read carefully the instructions in your Working Copy before completing this Form)

SIPC-7

(33-REV 7/10)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

048723 FINRA DEC
 NATIONAL ALLIANCE SECURITIES LLC 16*16
 1605 LBJ FWY STE 710
 DALLAS TX 75234-6099

RECEIVED
 DEC 30 2013

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2)	\$	<u>38,300</u>
B. Less payment made with SIPC-6 filed (exclude interest)	(<u>18,923</u>)
<u>07/26/2013</u> Date Paid		
C. Less prior overpayment applied	(<u>61</u>)
D. Assessment balance due or (overpayment)		<u>0</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum		<u>0</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$	<u>19,316</u>
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$	<u>19,316</u>
H. Overpayment carried forward	\$(_____)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

National Alliance Securities, LLC
(Name of Corporation, Partnership or other organization)

[Signature]
(Authorized Signature)

President
(Title)

Dated the 28 day of January, 2014.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER Dates: _____ Postmarked _____ Received _____ Reviewed _____

Calculations _____ Documentation _____ Forward Copy _____

Exceptions: _____

Disposition of exceptions: _____

**DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT**

Amounts for the fiscal period
beginning 1/1/2013
and ending 12/31/2013

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents
\$ 17,317,585

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

(2) Net loss from principal transactions in securities in trading accounts.

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

1,125,469

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

(8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 872,094

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ _____

Enter the greater of line (i) or (ii)

872,094

Total deductions

1,997,563

2d. SIPC Net Operating Revenues

\$ 15,320,022

2e. General Assessment @ .0025

\$ 38,300

(to page 1, line 2.A.)