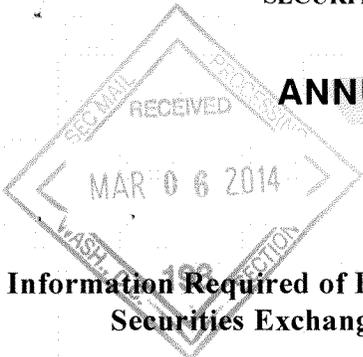


KW  
3/20/14

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



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

SEC FILE NUMBER  
8- 69063

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: Localstake Marketplace, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

212 W. 10th Street, Suite A480

(No. and Street)

Indianapolis

Indiana

46202

(City)

(State)

(Zip Code)

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

William Webb 815-630-8123

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Somerset CPAs

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

3925 River Crossing, Third Floor

Indianapolis

Indiana

46202

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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



**FOR OFFICIAL USE ONLY**

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

SEC 1410 (06-02)

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

AB  
3/25

OATH OR AFFIRMATION

I, Ryan Flynn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LocalStake Marketplace, LLC of 12/31/2013, 20 13, 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:

Andrew Perkins  
Notary Public

Ryan Flynn Signature  
Manager Title

Andrew Perkins  
Notary Public, State of Indiana  
SEAL  
My Comm. Exp. May 14, 2017

- 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.

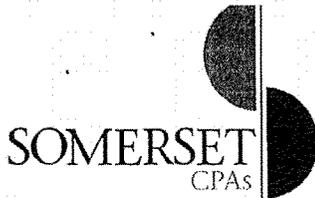
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(c)(3)

**LOCALSTAKE MARKETPLACE, LLC**  
**Financial Statements**  
**Year Ended December 31, 2013**

**LOCALSTAKE MARKETPLACE, LLC**

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## Independent Auditors' Report

To the Board of Directors  
LOCALSTAKE MARKETPLACE, LLC  
Indianapolis, Indiana

We have audited the accompanying statement of financial condition of LOCALSTAKE MARKETPLACE, LLC, as of December 31, 2013, and the related statements of loss, 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 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.

### Auditors' 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 auditors' 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 aspects, the financial position of LOCALSTAKE MARKETPLACE, LLC, as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Somerset CPAs PC". The signature is written in a cursive, flowing style.

February 27, 2014

Architecture/Engineering  
Assurance  
Business Advisory  
Construction

Employee Benefits  
Entrepreneurial  
Health Care  
Information Solutions

Manufacturing & Distribution  
Not-for-Profit  
Real Estate  
Small Business

**LOCKPORT FIRE DEPARTMENT, LLC**  
**Statement of Financial Condition**  
**December 31, 2013**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 47,093
Accounts receivable	675

Total Current Assets	<u>47,768</u>
----------------------	---------------

Total Assets	<u>\$ 47,768</u>
--------------	------------------

**Liabilities and Member's Equity**

**Current Liabilities**

Accounts payable	<u>\$ 4,382</u>
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Total Current Liabilities	4,382
---------------------------	-------

**Member's Equity**

<u>43,386</u>
---------------

Total Liabilities and Member's Equity	<u>\$ 47,768</u>
---------------------------------------	------------------

See accompanying notes.

LOCALSTAR MARKET PLACE, LLC  
**Statement of Loss**  
For the Year Ended December 31, 2013

Revenues	
Placement fees	\$ 50,492
Other revenues	8,150
	<hr/>
Total Revenues	58,642
	<hr/>
Operating Expenses	
Regulatory and compliance expenses	76,414
Parent's expense allocation	46,821
Technology expenses	8,529
Bank charges	4,084
Other expenses	1,190
	<hr/>
Total Operating Expenses	137,038
	<hr/>
<b>Net Loss</b>	<b>\$ (78,396)</b>

See accompanying notes.

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

Balance at December 31, 2012	\$ 121,782
Net loss	<u>(78,396)</u>
Balance at December 31, 2013	<u><u>\$ 43,386</u></u>

See accompanying notes.

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

<b>Cash Flows from Operating Activities</b>	
Net loss	\$ (78,396)
Adjustments to reconcile net loss to net cash used in operating activities:	
Increase in accounts receivable	(675)
Increase in accounts payable	4,382
	<hr/>
Net cash used in operating activities	(74,689)
	<hr/>
<b>Net Decrease in Cash and Cash Equivalents</b>	(74,689)
	<hr/>
Cash and Cash Equivalents, Beginning of Year	121,782
	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 47,093</u></u>

See accompanying notes.

**LOCALSTAKE MARKETPLACE, LLC**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note A - Nature of Operations and Summary of Significant Accounting Policies:**

**Nature of Operations**

Localstake Marketplace, LLC (the Company), was formed as a limited liability company in Indianapolis, Indiana during 2011. During 2012, the Company registered as a limited corporate securities broker-dealer firm with the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) and various states within the United States.

The Company receives success fees and transaction fees in conjunction with private investment opportunities offered through a locally focused, online system. The system is designed to connect businesses seeking to raise capital (the Issuers) with accredited and non-accredited U.S. individual and institutional investors. The Company does not require the services of a clearing firm in order to conduct its business. Accordingly, the Company operates under the exemptive provision of the SEC Rule 15c3-3(k)(2)(i).

**Entity**

These financial statements contain only the assets, liabilities, revenues and expenses specifically related to the business activities of the Company. They do not include the assets, liabilities, revenues or expenses of the individual member.

The Company's duration shall be perpetual, unless dissolved in accordance with the operating agreement.

**Revenue Recognition**

Issuers pay the Company an application fee to cover initial due diligence expenses. After an engagement letter is signed by both parties, revenue is recognized when the application fee is invoiced.

Issuers pay the Company a placement fee for successfully closing a private placement transaction. Revenue recognition occurs on or after achievement of the minimum funding target and the investors' funds, net of the placement fee, are released from escrow and delivered to the issuer.

**Method of Accounting**

The Company's financial statements are presented on the accrual basis method of accounting.

**Accounts Receivable**

The Company carries its accounts receivable at invoiced amounts less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts currently is provided. The Company's policy is not to accrue interest on past due receivables.

**LOCALSTAKE MANAGEMENT SERVICES, LLC**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Cash Flows**

For purposes of the Statement of Cash Flows, the Company considers all highly liquid instruments purchased within three months or less of an instrument's original maturity date to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

No provision has been made for federal and state income taxes since the proportionate share of the Company's income or loss is included in the tax returns of the member.

Accounting principles generally accepted in the United States of America require the Company to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next twelve months or that would not sustain an examination by applicable taxing authorities.

The Company's policy is to recognize penalties and interest as incurred in its Statement of Income.

The Company's federal and state income tax returns for 2011 through 2013 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

**Note B - Related Party Transactions:**

The Company is wholly owned by Localstake, LLC (the Parent). Effective February 3, 2012, the Company and Parent entered into an expense sharing agreement which allocated a percentage of shared operating expenses to the Company, and expenditures were \$42,439 for the year ended December 31, 2013. In addition, the Company had an outstanding payable due to the Parent of \$4,382 at December 31, 2013.

The Parent also wholly owns Stake Management, LLC (Stake). The Company has an indefinite lived agreement in place with Stake requiring monthly payments of \$500 per month for the right to use Stake's investor platform software, and expenditures were \$6,000 for the year ended December 31, 2013.

-----  
**Notes to Financial Statements**  
**December 31, 2013**

**Note C - Concentration of Credit Risk:**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with primarily one financial institution. At times, such amounts may be in excess of the FDIC insured limit. The Company has never experienced any losses related to these balances. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

**Note D - Net Capital Requirements:**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital balance. The minimum dollar amount for the Company is \$5,000. At December 31, 2013, the Company's net capital was \$42,711 which was \$37,711 in excess of its minimum net capital requirement. There is a difference of \$55 between this computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared by the Company and included in the unaudited Part II of Form X-17A-5 as of December 31, 2013. The difference relates to management adjustments prior to the audit on accounts included in net capital.

**Note E - Statements of Changes in Liabilities Subordinated to Claims of General Creditors:**

For the year ended December 31, 2013, the Company did not have any subordinated liabilities subject to claims of general creditors. Therefore, no statements have been prepared.

**Note F - Subsequent Events:**

The Company has evaluated subsequent events through February 27, 2014, the date on which the financial statements were available to be issued.



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**Independent Auditors' Report  
on the Supplementary Information Required by Rule 17a-5  
Under the Securities and Exchange Act of 1934**

**To the Board of Directors  
LOCALSTAKE MARKETPLACE, LLC  
Indianapolis, Indiana**

We have audited the financial statements of LOCALSTAKE MARKETPLACE, LLC, as of and for the year ended December 31, 2013, and have issued our report thereon dated February 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, computation of net capital under Rule 15c3-1 of the Securities and Exchange Commission, required by Rule 17a-5 under the Securities Exchange Act of 1934, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 supplementary 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 of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Somerset CPAs PC*

February 27, 2014

Architecture/Engineering  
Assurance  
Business Advisory  
Construction

Employee Benefits  
Entrepreneurial  
Health Care  
Information Solutions

Manufacturing & Distribution  
Not-for-Profit  
Real Estate  
Small Business

**LOCALSTAKE MARKETPLACE, LLC**  
**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	\$ 43,386
Other Deductions	<u>675</u>
Net Capital	<u><u>\$ 42,711</u></u>

**Aggregate Indebtedness**

Items Included in Statement of Financial Condition	
Accounts Payable	<u>\$ 4,382</u>
Total Aggregate Indebtedness	<u><u>\$ 4,382</u></u>

**Computation of Basic Net Capital Requirement**

Minimum Net Capital Required	<u>\$ 5,000</u>
Excess Net Capital	<u>\$ 37,711</u>
Excess Net Capital at 1000%	<u>\$ 42,667</u>
Ratio: Aggregate Indebtedness to Net Capital	<u><u>0.1026 to 1</u></u>

**Reconciliation with Company's Computation (Included in Part II of Form X-17A-5 as of December 31, 2013)**

Net Capital, as Reported in Company's Part II (Unaudited) FOCUS Report	\$ 42,656
Effect of audit adjustments on accounts included in net capital	<u>55</u>
Net Capital per Above	<u><u>\$ 42,711</u></u>



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**Independent Auditors' Report on Internal Control Required  
by SEC Rule 17a-5(g)(1) for a Broker-Dealer Claiming an  
Exemption from SEC Rule 15c3-3**

**To the Board of Directors  
LOCALSTAKE MARKETPLACE, LLC  
Indianapolis, Indiana**

In planning and performing our audit of the financial statements of LOCALSTAKE MARKETPLACE, 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 the 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Architecture/Engineering  
Assurance  
Business Advisory  
Construction

Employee Benefits  
Entrepreneurial  
Health Care  
Information Solutions

Manufacturing & Distribution  
Not-for-Profit  
Real Estate  
Small Business

Because of inherent limitations in internal control or 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 Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and other regulatory agencies which 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.

A handwritten signature in black ink that reads "Somas CPA PC". The signature is written in a cursive, flowing style.

February 27, 2014