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

SEC FILE NUMBER
8- 65845

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2016 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CANDLEWOOD SECURITIES LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

600 SUPERIOR AVE., SUITE 1800

(No. and Street)

CLEVELAND

OHIO

44114

(City)

(State)

(Zip Code)

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

STEPHEN J. LATKOVIC, 216-472-6642

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SKODA MINOTTI & CO

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

6685 BETA DRIVE

MAYFIELD HEIGHTS

OH

44143

(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)

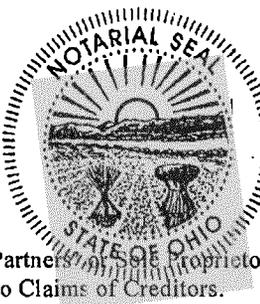
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, STEPHEN J. LATKOVIC, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CANDLEWOOD SECURITIES LLC, as of DECEMBER 31, 2016, 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:

[Signature]
Signature
Managing Director/CEO
Title

[Signature]
Notary Public



DEBORAH LIPSTREU
NOTARY PUBLIC
STATE OF OHIO
Comm. Expires
November 15, 2017
Recorded in
Cuyahoga County

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 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).

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ANNUAL AUDIT REPORT

For the Period from January 1, 2016 to December 31, 2016

Candlewood Securities LLC
(Name of Respondent)

600 Superior Ave., East, Ste. 1800
Cleveland, Ohio 44114
(Address of Principal Executive Office)

Mr. Stephen Latkovic
Candlewood Securities LLC
600 Superior Ave., East, Ste. 1800
Cleveland, Ohio 44114
(216) 472-6660
**(Name and address of person authorized to receive notices and
communications from the Securities and Exchange Commission)**

CANDLEWOOD SECURITIES, LLC

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SKODA MINOTTI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE MEMBER
CANDLEWOOD SECURITIES, LLC

We have audited the accompanying statement of financial condition of Candlewood Securities, LLC (the Company) as of December 31, 2016, and the related statements of income, changes in member's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Candlewood Securities, LLC as of December 31, 2016, 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.

The supplementary financial information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplementary information is the responsibility of the Company's management. Our audit procedures included determining whether the supplementary information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplementary information. In forming our opinion on the supplementary information, we evaluated whether the supplementary information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

SKODA MINOTTI & CO.

Cleveland, Ohio
February 28, 2017

CANDLEWOOD SECURITIES, LLC

Statement of Financial Condition

December 31, 2016

ASSETS

Cash	\$ 37,397
Accounts receivable	30,563
Prepaid expenses	<u>8,450</u>
TOTAL ASSETS	<u>\$ 76,411</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 3,467
Accrued Commissions	<u>27,965</u>
TOTAL LIABILITIES	\$ 31,432
MEMBERS' EQUITY	<u>44,979</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 76,411</u>

See accompanying Notes to Financial Statements

CANDLEWOOD SECURITIES, LLC

Statement of Operations

For the Year Ended December 31, 2016

REVENUES	\$ 387,589
OPERATING EXPENSES	
Legal and Professional Fees	\$ 48,093
Commission Expense	309,875
Regulatory Expense	18,800
Occupancy and Shared Expenses	5,907
Fidelity Bond Expense	936
Technology, Data & Communications	697
Other	25
TOTAL EXPENSES	<u>\$ 384,334</u>
NET INCOME	<u>\$ 3,255</u>

See accompanying Notes to Financial Statements

CANDLEWOOD SECURITIES, LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2016

BALANCE, January 1, 2016	\$ 26,724
Contributions	15,000
Distributions	
Net Income	<u>3,255</u>
BALANCE, December 31, 2016	<u>\$ 44,979</u>

See accompanying Notes to Financial Statements

CANDLEWOOD SECURITIES, LLC

Statement of Cash Flows

For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 3,255
Adjustments to income in operations:	
Change in assets and liabilities:	
Decrease in accounts receivable	39,437
Increase in prepaid expenses	-1,395
Decrease in accounts payable	-269
Decrease in accrued commissions	<u>-36,873</u>

NET CASH USED IN OPERATING ACTIVITIES 4,156

CASH FLOWS FROM FINANCING ACTIVITIES

Members' contributions	15,000
Member's distributions	<u> </u>

NET CASH PROVIDED BY FINANCING ACTIVITIES 15,000

NET INCREASE IN CASH 19,155

CASH, beginning of year 18,242

CASH, end of year \$ 37,397

See accompanying Notes to Financial Statements

CANDLEWOOD SECURITIES, LLC

Notes to Financial Statements

December 31, 2015

NOTE A - Summary of significant accounting policies

Business activity

Candlewood Securities LLC (the "Company") is a registered broker-dealer under the Securities Exchange Act of 1934. The Company provides general investment banking and advisory services to a wide array of clients, ranging from start-ups to publicly traded companies. Its broker-dealer services focus primarily on private placements for closely-held companies or institutional investment funds.

The Company was formed on September 9, 2002, as an Ohio limited liability company; as such, its members possess limited personal liability for obligations of the Company. The Company will continue to exist perpetually unless terminated earlier by agreement of the members.

As a member of the Financial Industry Regulatory Authority (FINRA), the Company is exempt from the requirements of Rule 15c3-3 of the Securities and Exchange Commission (SEC) because it operates under Section (k)(2)(i) of that Rule.

The Company is required to maintain a minimum net capital balance (as defined) of \$5,000, pursuant to the SEC's Uniform Net Capital rule 15c3-1. The Company's net capital balance was \$33.931 at December 31, 2016. The Company must also maintain a ratio of aggregate indebtedness (as defined) to net capital of not more than 15 to 1. The Company's ratio was .093 to 1 at December 31, 2016.

Basis of accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income taxes

The Company, with the consent of its members, was formed as a limited liability company. The operating agreement, construed under Ohio laws, states that the Company will be treated as a partnership for federal and state income tax purposes. In lieu of paying taxes at the company level, the members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of Accounting Standards Codification 740, Income Taxes (ASC 740). Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities.

As of December 31, 2016 the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. It is the Company's policy to include any penalties and interest related to income taxes in its operating expenses, however, the Company currently has no penalties or interest related to income taxes. The earliest year that the Company is subject to examination is the year ended December 31, 2013.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition

Revenue is recognized upon the completion of a transaction.

Evaluation of subsequent events

The Company has evaluated events and transactions that occurred between December 31, 2016 and February 28, 2017 which is the date that the financial statements were issued for possible recognition or disclosure in the financial statements. There were no material subsequent events.

NOTE B - Related party

The Company is party to a services agreement with Candlewood Partners LLC., its parent company, whereby the Company pays \$440 per month for rent and utilities incurred by Candlewood Partners on behalf of the Company. Expenses of \$5,280 were reported by the Company related to this agreement for the year ended December 31, 2016.

CANDLEWOOD SECURITIES, LLC

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission

As of December 31, 2016

COMPUTATION OF NET CAPITAL

Total members' equity from statement of financial condition	\$ 44,979
Deductions and/or charges:	
Accounts receivable - \$30,563 less allowed offset of \$27,965 for commissions	- 2,598
Prepaid expenses	<u>-8,450</u>
Total non-allowable assets	<u>-11,048</u>
Net capital before haircuts on securities positions	33,931
Haircuts on securities	<u> --</u>
NET CAPITAL	<u>\$ 33,931</u>

AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	\$ <u>31,432</u>
Percentage of aggregate indebtedness to net capital	.093 to 1.0

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6 2/3% of total aggregate indebtedness)	\$ <u>2,096</u>
Minimum dollar required net capital	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 5,000</u>

EXCESS NET CAPITAL	<u>\$ 28,931</u>
---------------------------	-------------------------

Statement Pursuant to Rule 17a-5(d)(2)(iii)

Reconciliation with Company's computation of net capital as presented in Part IIA of Form X-17A-5 as of December 31, 2015

Net Capital as reported in Company's Part IIA (unaudited) FOCUS report	<u>\$33,931</u>
Net Capital as reported above	<u>\$33,931</u>

A reconciliation to the Company's Computation of Net Capital as reported above from Part IIA of Form X-17a-5 consists of a decrease in Members' equity of \$1,075 and a decrease in non-allowable assets of \$1,075, resulting from adjusting journal entries recorded by the Company. As indicated above, the reconciling items have no impact on Net Capital.



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REPORT OF INDEPENDENT REGISTERED ACCOUNTANTS ON
APPLYING AGREED-UPON PROCEDURES

TO THE MEMBER
CANDLEWOOD 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 General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2016, which were agreed to by Candlewood Securities, LLC (CWS) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating CWS's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). CWS's management is responsible for CWS's compliance with those requirements. The 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, noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 (FOCUS Report) for the year ended December 31, 2016, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2016, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, 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, noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, 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.

SKODA MINOTTI & CO.

A handwritten signature in black ink that reads "Skoda Minotti". The signature is written in a cursive, flowing style.

Cleveland, Ohio
February 28, 2017

Akron | 3320 W. Market Street, Suite 300, Fairlawn, Ohio 44333 | ph 330 668 1100 | fx 440 646 1615

Cleveland | 6685 Beta Drive, Mayfield Village, Ohio 44143 | ph 440 449 6800 | fx 440 646 1615

Skoda Minotti | Certified Public Accountants | www.skodaminotti.com

AKRON | CLEVELAND | TAMPA

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 **12/31/2016**

(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:

17*17*****2209*****MIXED AADC 220
65845 FINRA DEC
CANDLEWOOD SECURITIES LLC
600 SUPERIOR AVE E STE 1800
CLEVELAND OH 44114-2654

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.

Debbie Ingham
216 472-6008

- 2. A. General Assessment (item 2e from page 2) \$ 412.57
- B. Less payment made with SIPC-6 filed (exclude interest) (504.08)
7/8/16
Date Paid
- C. Less prior overpayment applied (0.00)
- D. Assessment balance due or (overpayment) 387.89
- E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum 0
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 387.89
- G. PAYMENT: the box
Check mailed to P.O. Box Funds Wired
Total (must be same as F above) \$ 387.89
- 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.

Candlewood Securities LLC
(Name of Corporation, Partnership or Other Organization)

Debbie Ingham
(Authorized Signature)

Dated the 21st day of January, 2017.

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:

Candlewood Securities LLC

PROFIT AND LOSS

January - December 2016

	TOTAL
INCOME	
400.00 Revenue	
418.00 Other Income	52,106.38
420.00 Success Fee	5,000.00
421.00 Commissions	299,919.58
Total 400.00 Revenue	357,025.96
Total Income	\$357,025.96
GROSS PROFIT	
	\$357,025.96
EXPENSES	
595.00 Fidelity Bond Expense	935.52
600.00 Legal & Professional	
601.00 Professional Fees	20,957.90
610.00 Auditing Fees	15,056.44
650.00 FINOP Services	9,000.00
Total 600.00 Legal & Professional	45,014.34
615.00 Commission Exp	281,910.29
655.00 Occupancy & Equipment	
665.00 Equipment Lease	1,200.00
669.00 Insurance - Property	180.00
755.00 Office Expense	626.91
760.00 Office Supplies	600.00
815.00 Rent	2,880.00
900.00 Utilities	420.00
Total 655.00 Occupancy & Equipment	5,906.91
660.00 Regulatory Expense	18,800.40
699.00 Other Expenses	25.00
750.00 Technology, Data & Communications	697.26
Total Expenses	\$353,289.72
NET OPERATING INCOME	\$3,736.24
NET INCOME	\$3,736.24



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN
EXEMPTION FROM SEC RULE 15c3-3

TO THE MEMBER
CANDLEWOOD SECURITIES, LLC

We have reviewed management's statements, included in the accompanying Assertions Regarding Exemption Provisions from SEC Rule 15c3-3, in which (1) Candlewood Securities, LLC (the Company), identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: paragraph (k)(2)(ii) (the "exemption provisions") and (2) the Company stated that the Company met the identified exemption provisions throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

SKODA MINOTTI & CO.

Cleveland, Ohio
February 28, 2017

Candlewood Securities LLC
600 Superior Ave East, Suite 1800
Cleveland, Ohio 44114

February 28, 2017

Candlewood Securities LLC
SEC RULE 15c3-3 EXEMPTION REPORT

To the best of its knowledge and belief, Candlewood Securities LLC states the following:

Candlewood Securities LLC is exempt from SEC Rule 15c3-3 (the Customer Protection Rule) pursuant to exemptive paragraph 15c3-3(k)(2)(i).

Candlewood Securities LLC has met the identified exemptive provision noted above throughout the most recent fiscal year of 2016 without exception.

I, Stephen J. Latkovic, affirm that, to the best of my knowledge and belief, this Exemption Report is true and correct.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. J. Latkovic', written in a cursive style.

Stephen J. Latkovic
Managing Director/CCO

SEC
Mail Processing
Section

MAR 02 2017

Washington DC
416

CANDLEWOOD SECURITIES, LLC

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016