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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

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

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8-68382

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 1/1/2017 AND ENDING 12/31/2017  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **UNION GAMING SECURITIES, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**3930 HOWARD HUGHES PARKWAY, SUITE 230**

(No. and Street)

**LAS VEGAS**

**NV**

**89169**

(City)

(State)

(Zip Code)

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

**WILLIAM LERNER - (702) 866-0743**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**BREARD & ASSOCIATES, INC.**

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

**9221 CORBIN AVENUE, SUITE 170 NORTHRIDGE**

**CA**

**91324**

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

<b>FOR OFFICIAL USE ONLY</b>

\*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)

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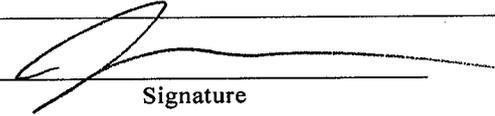
OATH OR AFFIRMATION

I, WILLIAM LERNER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of UNION GAMING SECURITIES, LLC, as of DECEMBER 31, 2017, 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:

\_\_\_\_\_

\_\_\_\_\_

State of Nevada  
County of Clark  
February 28, 2018

  
Signature

CEO  
Title

  
Notary Public



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

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

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

**UNION GAMING SECURITIES, LLC**  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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**BREARD & ASSOCIATES, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Registered Public Accounting Firm**

To the Directors and Equity owners of Union Gaming Securities, LLC

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Union Gaming Securities, LLC (the Company) as of December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Breard & Associates, Inc.  
Certified Public Accountants

We have served as the Company's auditor since 2016.  
Northridge, California  
February 28, 2018

**UNION GAMING SECURITIES, LLC**  
**STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2017**

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**Assets**

Cash	\$	1,093,726
Accounts receivable		197,447
Accounts receivable related parties		24,141
Prepaid expenses		19,240
Other assets		28,901
Property and equipment, net		12,071
Investments		891,888
		<hr/>
<i>Total assets</i>	\$	<u>2,267,414</u>

**Liabilities and Member's Equity**

**Liabilities**

Current liabilities:		
Accounts payable	\$	101,250
Accounts payable related parties		65,679
Accrued expenses		541,309
Rental Deposit		12,844
		<hr/>
<i>Total liabilities</i>		721,082

**Member's Equity**

Total member's equity		<hr/> 1,546,332
Total liabilities and member's equity	\$	<u>2,267,414</u>

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

## UNION GAMING SECURITIES, LLC

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 1. Nature of Business and Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist in the understanding of the financial statements. The financial statements and notes are representations of management. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied in the preparation of the financial statements.

##### *Nature of business and organization*

Union Gaming Securities, LLC (the "Company") was organized in the State of Nevada on April 17, 2009 and specializes in equity and debt offerings, private placements, strategic advisory services, equity and debt research, and mergers and acquisitions. As a limited liability company, the sole managing member of the Company, Union Gaming Group LLC (the "Parent Company"), and per the Company's operating agreement, shall not be held liable under any judgment, decree or order of a court, or in any other manner for the debts, obligations or other liabilities of the Company. Lastly, the Company does not have a finite life and the Company shall only be dissolved if the Member determines to dissolve the Company.

The Company is registered as a broker-dealer under SEC Rule 15c3-1(a)(2)(ii) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The Company is licensed to conduct securities business in various states. The Company is exempt from the provisions of Securities Exchange Act Rule 15c3-3 pursuant to Rule (k)(2)(i).

Lastly, the Company is a wholly owned subsidiary of the Parent Company and is under common ownership with the Parent Company's wholly-owned subsidiary, Union Gaming Analytics, LLC (UGA), a consulting firm that performs economic feasibility and impact studies for corporate and government entities. The Company shares its main office with the Parent Company and UGA.

##### *Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company is subject to uncertainty of future events, economic, environmental and political factors, and changes in the Company's business environment; therefore, actual results could differ from these estimates. Accordingly, accounting estimates used in the preparation of the Company's financial statements will change as new events occur, more experience is acquired, as additional information is obtained, and as the Company's operating environment changes. Changes are made in estimates as circumstances warrant. Such changes in estimates and refinement of estimation methodologies are reflected in the financial statements.

##### *Cash*

The Company maintains cash deposits in an institution which is insured by the Federal Deposit Insurance Corporation. This government corporation insures balances up to \$250,000.

##### *Revenue recognition*

Revenues from advisory services, commissions, and the placement of securities are recorded when earned. The Company recognizes revenue as earned only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability of the related fee is reasonably assured. Earned but unpaid revenue is accounted for as accrued revenue until such time a bill is issued, after which time it is accounted for as an accounts receivable. Further, accounts receivable remain outstanding until such time cash payments are received.

## UNION GAMING SECURITIES, LLC

### NOTES TO THE FINANCIAL STATEMENTS

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Revenue earned on the placement of securities is recognized upon consummation of a transaction or as dictated by various agreements held with client companies. Revenue earned with respect to the Company's strategic advisory activities is recognized upon completion of services rendered.

#### *Investments, at fair value*

The Company's investments consist of membership interests earned as a result of the Company's placement of securities for client companies. Such investments are recognized upon legal transfer of securities or as dictated by the terms of individual agreements held with client companies. Such investment stakes are initially and subsequently measured at fair value. Realized and unrealized gains and losses on investments are reflected in the Statement of Income under revenue. Securities are valued internally by employing an enterprise value methodology using forward-year EBITDA estimates and comparable multiples for similar companies.

#### *Fair value Measurements*

In determining the fair value of the Company's investments, the Company maximizes use of observable inputs when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the assumptions that market participants would use in pricing an asset or liability based on the best information available in the circumstances. Transfers among the levels are recognized at the beginning of the year. The Company applies a hierarchy to categorize its fair value measurements broken down into three levels based on the observability of inputs as follows:

*Level 1:* The preferred inputs to valuation efforts are "unadjusted quoted prices in active markets for identical assets or liabilities," with the caveat that a reporting entity must have access to that market.

*Level 2:* Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data at the measurement date for substantially the full term of the assets or liabilities.

*Level 3:* Unobservable inputs that reflect management's best estimate of what market participants would use in pricing assets or liabilities at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to an investment.

All investments held by the Company as of December 31, 2017 are considered Level 3 assets.

#### *Property and Equipment*

Equipment is stated at cost. Major renewals and improvements are charged to asset accounts while replacements, maintenance, and repairs, which do not improve or extend the lives of respective assets, are expensed. At the time equipment is retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales of such assets are credited or charged to income.

The Company's equipment consists of televisions, telephones, software, computers, desks and other office equipment which is valued at cost and depreciated using the straight-line method over a period of five years for furniture and three years for computer and other related equipment.

## UNION GAMING SECURITIES, LLC

### NOTES TO THE FINANCIAL STATEMENTS

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#### *Income taxes*

The Company is treated as a disregarded limited liability company for federal and state income tax purposes and does not incur income taxes. Instead, its earnings and losses are allocated to and reported on the Parent Company's tax returns and, ultimately on the returns of the Parent Company's members' tax returns. Accordingly, no provision for income tax is included in the financial statements. The Parent Company files income tax returns with the U.S. and state governments. The Company follows the provisions issued by FASB relating to accounting for uncertainty in income taxes which clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements, which is applicable to all open tax years.

The open tax years for the Company are 2014 to 2016. The Company does not have any unrecognized tax benefits or liabilities as of December 31, 2017. Also, the Company recognizes interest and, if applicable, penalties for any uncertain tax positions, as a component of income tax expense. No interest or penalty expense was recorded, or accrued, by the Company for the year ended December 31, 2017.

#### *Recently issued accounting pronouncements*

For the year ending December 31, 2017, various ASUs issued by the FASB were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

#### **Note 2. Accounts Receivable**

As of December 31, 2017, the Company maintained a total of \$221,588 in accounts receivable consisting of receivables attributable to strategic advisory fees including travel reimbursements which are current and collectible in full. \$24,141 of the Company's total accounts receivable balance relate to amounts due to the Company from affiliates. The collectability of accounts receivable is regularly evaluated based on a combination of factors such as customer credit-worthiness, past transaction history with the customer, current economic industry trends. If it is determined that a customer will be unable to fully meet its financial obligation such as in the case of a bankruptcy filing or other material events impacting its business, a specific reserve for bad debt will be recorded to reduce the related receivable to the amount expected to be recovered. Provisions established for doubtful accounts represent a charge to operations at the time management determines accounts may become uncollectible. No reserve was made at December 31, 2017.

**UNION GAMING SECURITIES, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 3. Equipment**

The Company's furniture and equipment consists of televisions, telephones, software, computers, desks and other office equipment which are valued at cost and depreciated using the straight-line method over five years for furniture and three years for computer and related equipment.

Depreciation expense of \$8,410 is included in the statement of operations for the year ended December 31, 2017. Property and equipment at December 31, 2017 consists of:

	Cost	Accumulated Depreciation	Net
Televisions	\$ 4,359	\$ 4,359	\$ -
Computer Equipment	78,180	66,109	12,071
Furniture	11,685	11,685	-
	<u>\$ 94,224</u>	<u>\$ 82,153</u>	<u>\$ 12,071</u>

**Note 4. Member's Equity**

The Company's articles of organization provide for the authorization of one thousand (1,000) membership units. Each membership unit represents an ownership interest in the Company. Members have all the rights and obligations that normally pertain to members of a Nevada Limited Liability Company. As of December 31, 2017, the Company had all of the 1,000 membership units issued and outstanding. On November 13, 2009, the Company issued 1,000 membership units to the Parent Company, the Company's managing member, for a capital investment totaling \$6,000.

For the year ended December 31, 2017, the Company distributed a total of \$1,719,397 to the Parent Company.

**Note 5. Related Parties**

On January 1, 2013, the Company entered into shared services agreements with the Parent Company and UGA. Under its shared services agreement with the Parent Company, the Company agreed to reimburse the Parent Company for certain shared office expenses incurred. Accordingly, for the year ended December 31, 2017, the Company incurred \$198,868 in recurring shared office expenses born by the Parent on the proportionate share of personnel working on behalf of the Company including accounting services, rent, health insurance, telephone, tech support and internet. Such expenses are allocated to the Company by the Parent Company based

As of December 31, 2017, the Company still owed a total of \$52,798 to the Parent Company. Additionally, the Company owed a total of \$12,881 to UGA relating to UGA employees' assistance to the Company in conducting analytical support for investment banking activity.

Lastly, as of December 31, 2017, the Company was owed \$24,141 in reimbursable payroll expenses due from its affiliates for certain salaries and compensation. Such reimbursements are based on a percentage of efforts devoted by the Company's employees to serving the Parent Company and UGA.

**UNION GAMING SECURITIES, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 6. Commitments**

On September 28, 2011, the Parent Company entered into a five year lease, commencing on March 1, 2012, to rent office space in Las Vegas, NV. Subsequently, on December 30, 2013, the Parent Company amended its original lease to expand its office space and to extend the lease by an additional 30 months. The Parent Company shares its office with the Company and with other affiliates. Pursuant to the shared service agreement, the following is a schedule of future minimum lease commitments for the Company's approximate share to its Parent Company:

Year ending December 31,	2018	\$	113,152
	2019		106,815
		\$	<u>219,967</u>

Additionally, on January 25, 2016, the Parent Company entered into a thirty month lease, commencing on March 1, 2016, on behalf of the Company to rent office space for the Company in New York, NY. The Company is the sole occupant of this lease and is obligated to pay one hundred percent of all future lease payments incurred by the Parent Company under this lease. Accordingly, the following is a schedule of future minimum lease commitments:

Year ending December 31,	2018	\$	<u>80,477</u>
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On July 17, 2017, the Company entered into a sublease agreement with a subtenant to lease its office space in New York, NY. All rental payments related to this sublease agreement are offset against rent expense in the Company's Statement of Income. Total payments received by the Company's subtenant amounted to \$38,535 during the year ended December 31, 2017. The company also received a rental deposit amounting to \$12,844 from its subtenant which shall be returned to the subtenant upon termination of the sublease.

**Note 7. Investments**

The Company maintains membership interests in four restaurants located in Las Vegas, NV and one private technology company. All four membership interests have been initially and subsequently recorded at fair value. As of December 31, 2017, these membership interests were valued by employing an enterprise valuation methodology using 2018 EBITDA estimates and comparable multiples for small cap and fine dining public US restaurants. Further, the fair value of these membership interests were valued after appropriate discounting for the Company's minority interest and lack of liquidity in such investments.

As of December 31, 2017, two of the four membership interests were both fair valued at \$40,000 representing a total of 2% and 4% ownership in the investee companies. Additionally, on December 17, 2015, the Company was assigned one class A membership interest relating to strategic advisory services provided in connection with a private placement of equity interests in a restaurant conducted in 2010. As this compensation was deferred at the time of service and was never guaranteed to be paid, it was realized upon receipt. This membership interest was valued internally upon receipt and subsequently at December 31, 2017 by employing the methodology outlined in preceding paragraph. As of December 31, 2017, the fair value of this membership interest has been determined to be \$700,000. Additionally, on September 9, 2016, the Company was assigned 28 Class C Preferred Member Units valued at \$2,621 per unit relating to strategic advisory services provided in connection with a private placement of equity interests in a private technology company. This membership was valued internally upon receipt and subsequently at December 31, 2017. Lastly, the Company was assigned 1/2 Class C Membership interest

**UNION GAMING SECURITIES, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

related to advisory services provided in connection with a private placement of equity interest in a restaurant during 2017.

Additions to the level 3 assets account for the year ended December 31, 2017 amounted to \$38,500. The foregoing table reflects the fair value of the four membership interests outlined above, including an unrealized loss on the membership interest valued at \$45,000 as of December 31, 2017:

	<u>Membership Interests</u>
Balance, January 1, 2017	\$ 898,388
Additions	38,500
Unrealized loss - net	<u>(45,000)</u>
Balance, December 31, 2017	<u>\$ 891,888</u>

The following table provides quantitative and qualitative information regarding the inputs for the Company's Level 3 Fair Value investments.

<u>Investment Type</u>	<u>Fair Value at 31-Dec-17</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Range (Weighted Average)</u>
Membership Interests	\$ 891,888	Enterprise market value	EBITDA multiple	8.4x - 12.4x (10.4x)
			Discount	<u>20% - 30%</u> (25%)

**Note 8. Net Capital Requirements**

The Company, as a registered broker-dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital, as defined, of no less than the greater of \$100,000 or 6.667% of aggregate indebtedness and a maximum ratio of aggregate indebtedness to net capital of 15-to-1. Also in accordance with the Securities and Exchange Commission Uniform Net Capital Rule 17a-11, the Company must maintain 120% of its minimum net capital requirement. At December 31, 2017, the Company maintained net capital, as defined, of \$882,595 which was in excess of its required net capital by \$782,595.

**Note 9. Subsequent Events**

Subsequent to December 31, 2017 through the date of the financial statements, the Company distributed a total of \$33,170 to the Parent Company. Outside of this cumulative distribution amount, and in accordance with the provision set forth in FASB ASC Topic 855, *Subsequent Events*, management has evaluated subsequent events through the date the financial statements were available for issuance. Management has determined that there are no other material events that would require adjustment to or disclose in the Company's financial statements.

**UNION GAMING SECURITIES, LLC**  
(SEC Identification No. 8-68382)

**Independent Registered Public Accounting Firm**  
**AUDITORS' REPORT**  
**FINANCIAL STATEMENT**  
**and**  
**SUPPLEMENTAL INFORMATION**  
**December 31, 2017**