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ANNUAL AUDITED REPORT

FORM X-17A-5

Part III

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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 01/01/19 AND ENDING 12/31/19  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER: Directed Services LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1475 Dunwoody Drive, Suite 200

West Chester (City) PA (State) 19380 (Zip Code)

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

Richard Gelfand 610-249-9557 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

The Registrant qualifies for the single issuer exemption under Paragraph (c)(1)(i)(A) of Rule 17a-5 of the Securities Exchange Act of 1934 (Name - if individual, state last, first, middle name)

and therefore is not required to engage an independent certified public accountant to certify its annual report.

(Address) (City) (State) (Zip Code)

CHECK ONE:

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

SEC Mail Processing

FEB 26 2020

Washington, DC

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\*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).

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.

RMS

OATH OR AFFIRMATION

I, Richard Gelfand, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

Directed Services LLC, as of

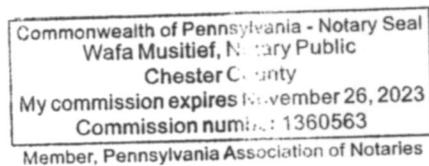
December 31, 2019, are true and correct. The Registrant qualifies for the single issuer exemption under Paragraph (e)(1)(i)(A) of Rule 17a-5 of the Securities Exchange Act of 1934 and therefore is not required to engage an independent certified public accountant to certify its annual report. I further 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 Pennsylvania  
County of Chester

Richard Gelfand  
Signature

Financial Operations Principal  
Title

Wafa Musitief  
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 the 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)

**Directed Services LLC**  
**Statement of Financial Condition - Unaudited\***  
**December 31, 2019**

**Contents**

Statement of Financial Condition	<u>1</u>
Notes to Statement of Financial Condition	<u>2</u>

*\* The Registrant qualifies for the single issuer exemption under Paragraph (e)(1)(i)(A) of Rule 17a-5 of the Securities Exchange Act of 1934 and therefore is not required to engage an independent certified public accountant to certify its annual reports.*

**Directed Services LLC**  
**Statement of Financial Condition - Unaudited**  
**December 31, 2019**

**Assets**

Cash	\$ 4,669,186
Distribution fee receivable	4,578,190
Commissions and concessions receivable, net of allowance of \$119	7,690
Prepaid expenses	13,465
<b>Total assets</b>	<b><u>9,268,531</u></b>

**Liabilities and member's equity**

Liabilities:

Commissions and concessions payable	3,746,030
Payable to affiliates	3,120,528
Accounts payable and other accrued liabilities	437,937
<b>Total liabilities</b>	<b><u>7,304,495</u></b>

Contingencies (Note 7)

Member's equity	1,964,036
<b>Total liabilities and member's equity</b>	<b><u>\$ 9,268,531</u></b>

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

**Directed Services LLC**  
**Notes to Statement of Financial Condition - Unaudited**

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**1. Nature of Business and Ownership**

Directed Services LLC (the "Company") operates as a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a single member limited liability company, and the limited liability company agreement provides that neither the member nor any manager shall be liable for the liabilities of the Company. The Company is also registered as a broker/dealer with the appropriate state authorities and U.S. jurisdictions/territories, as applicable. The Company services variable insurance products previously sold and/or serviced through FINRA third-party member firms (each a "Selling or Servicing Broker/Dealer" and together the "Servicing Broker/Dealers") with which the Company entered into a sales agreement and also had entered into, when and where appropriate, agreements with the affiliated insurance agency of each Servicing Broker/Dealer. The variable insurance products were previously issued by Venerable Insurance and Annuity Company ("VIAC"), a Company affiliate, and supported by VIAC separate accounts. As of June 1, 2018, VIAC ceased offering and the Company ceased wholesaling new products. The Company is a wholly owned subsidiary of Venerable Holdings, Inc. ("Venerable Holdings" or the "Parent").

The Company does not carry customer accounts and is not required to make the periodic computation of reserve requirements for the exclusive benefit of customers. Accordingly, the Company is exempt from Securities and Exchange Commission ("SEC") Rule 15c3-3.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statement has been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

*Cash*

Cash represents cash on deposit.

*Commissions, Concessions and Distribution Fee Receivables*

Commissions, concessions and distribution fee receivables are shown at their net realizable value. Uncollectible receivables are charged to operations during the period they are determined to be uncollectible.

*Liabilities Subordinated to the Claims of General Creditors*

At December 31, 2019 and during the year then ended, the Company had no liabilities subordinated to the claims of general creditors.

**Directed Services LLC**  
**Notes to Statement of Financial Condition - Unaudited**

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*Subsequent Events*

The Company has evaluated subsequent events for recognition and disclosure through the date the financial statements were issued.

*Future Adoption of Accounting Pronouncements*

Leases

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, Leases, which requires lessees to recognize assets and liabilities for most leases. The provisions of ASU 2016-02 were effective for financial statements issued for annual periods beginning after December 15, 2018. Adoption of this guidance does not have a material impact on the Company's financial condition, results of operations, or cash flows.

**3. Income Taxes**

The Company is a single member limited liability company. For income tax purposes, the Company is not treated as a separate taxable entity. The Company's income, gains, losses, deductions and credits for the period ended December 31, 2019 are included in the federal income tax return of VA Capital whether or not an actual cash distribution is made during its taxable year. As such, no federal income taxes are reflected for the year ended December 31, 2019. Certain items will be deducted in different periods for tax purposes from those used for financial reporting purposes. These temporary differences are reflected at Venerable Holdings due to the Company's status as a disregarded entity for tax purposes.

The Company has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with ASC Topic 740, *Income Taxes*, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company.

The Company is not under examination by any taxing authorities.

**4. Related Party Transactions**

The Company acts as the principal underwriter (as defined in the Securities Act of 1933 and the Investment Company Act of 1940, as amended) of the products previously issued by VIAC, an affiliate of the Company. At December 31, 2019 net fees of \$3,120,528 are reported in Distribution fee receivable in the Statement of Financial Condition.

Amounts reported in the Statement of Financial Condition related to transactions and agreements with affiliates may not be the same as those incurred if the Company was not a wholly-owned subsidiary of its Parent.

Receivables and payables with affiliates are settled in cash on a regular basis.

**5. Dividends**

The Company paid a dividend of \$1,000,000 to the Parent on November 29, 2019.

**6. Employee Benefit Plans**

The employees of affiliated companies providing services to the Company are covered by employee benefit plans that are administered by affiliates. The different plans have various eligibility standards, vesting requirements, and guidelines for matching. The Company had no separate employee benefit plans in 2019 and relied on its affiliated companies to cover all eligible employees. All benefits paid by these affiliates are charged back to the Company for reimbursement.

## **Directed Services LLC**

### **Notes to Statement of Financial Condition - Unaudited**

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#### **7. Contingencies**

The Company is from time to time party to claims, lawsuits, and/or arbitrations arising in the course of its normal business activities. While it is not possible to forecast the outcome of such lawsuits/arbitrations, in light of existing insurance and established reserves, it is the opinion of management that the disposition of such lawsuits/arbitrations will not have a materially adverse effect on the Company's operations or financial position.

The Company and its affiliates periodically receive informal and formal requests for information from various state and federal governmental agencies and self-regulatory organizations in connection with inquiries and investigations of the products and practices of the Company, its affiliates or the financial services industry. Such investigations and inquiries could result in regulatory action against the Company. The potential outcome of any such action is difficult to predict but could subject the Company or its affiliates to adverse consequences, including, but not limited to, settlement payments, penalties, fines and other financial liability. It is not currently anticipated that the outcome of any such action will have a material adverse effect on the Company.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual is made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual is made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the reasonably possible range of losses in excess of reserves. As of December 31, 2015, the aggregate range of reasonably possible losses in excess of any amounts accrued for these matters as of such date, is not material to the Company.

For other matters, the Company is currently not able to estimate the reasonably possible loss range or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantifications of a damage demand from plaintiffs, discovery from plaintiffs and other parties, investigation of factual allegations, rulings by a court on motions or appeals, analysis by experts and the progress of settlement discussions. On an ongoing basis, the Company reviews relevant information with respect to litigation and regulatory contingencies and updates the Company's accruals, disclosures and reasonably possible losses or ranges of loss.

#### **8. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum 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 may not be withdrawn or cash dividends paid if the resulting ratio of aggregated indebtedness to net capital would exceed 12 to 1.

At December 31, 2019, the Company had net capital of \$1,942,881 which was \$1,455,914 in excess of its required net capital of \$486,967. The Company's ratio of aggregate indebtedness to net capital at December 31, 2019 was 3.76 to 1.