



OATH OR AFFIRMATION

I, Robert Speer, CFO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Carl Marks Securities LLC, as of December 31, 2009, 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:

[Empty lines for listing exceptions]

Robert Speer
Signature

FINOP
Title

A. Ruth Lahr
Notary Public

A. Ruth Lahr
Notary Public, State of New York
No. 01LA6062295
Qualified in New York County
Commission Expires August 6, 2013

- 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).

**Eisner**

Eisner LLP  
Accountants and Advisors

**CARL MARKS SECURITIES LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**  
**(with supplementary information)**

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**Eisner**

Eisner LLP  
Accountants and Advisors

750 Third Avenue  
New York, NY 10017-2703  
Tel 212.949.8700 Fax 212.891.4100  
www.eisnerllp.com

**INDEPENDENT AUDITORS' REPORT**

To the Member of  
Carl Marks Securities LLC

We have audited the accompanying statement of financial condition of Carl Marks Securities LLC (the "Company") (a wholly owned subsidiary of Carl Marks Advisory Group LLC) as of December 31, 2009 and the related statements of operations, 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 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 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 Carl Marks Securities LLC as of December 31, 2009, and the results of its operations, changes in its member's equity and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



New York, New York  
February 22, 2010

**CARL MARKS SECURITIES LLC**

**Statement of Financial Condition  
December 31, 2009**

**ASSETS**

Cash	\$	1,594,409
Other assets		<u>6,092</u>
Total Assets	\$	<u><u>1,600,501</u></u>

**LIABILITIES AND MEMBER'S EQUITY**

Liabilities - accrued expenses and other liabilities	\$	20,224
Member's equity		<u>1,580,277</u>
Total Liabilities and Member's Equity	\$	<u><u>1,600,501</u></u>

See notes to financial statements

**CARL MARKS SECURITIES LLC**

**Statement of Operations  
Year Ended December 31, 2009**

<b>REVENUES</b>	
Advisory fees	\$ 1,085,000
Interest income	<u>3,457</u>
Total Revenues	<u>1,088,457</u>
<b>EXPENSES</b>	
Direct cost and overhead reimbursement (Note 3)	145,780
Legal fees	39,439
Professional fees	52,929
Fees and licenses	9,691
Other expenses	<u>22,478</u>
Total Expenses	<u>270,317</u>
<b>NET INCOME</b>	<u><u>\$ 818,140</u></u>

See notes to financial statements

**CARL MARKS SECURITIES LLC**

**Statement of Changes in Member's Equity  
Year Ended December 31, 2009**

Balance, beginning of year	\$	762,137
Net income		818,140
		<hr/>
Balance, end of year	\$	<u><u>1,580,277</u></u>

See notes to financial statements



**CARL MARKS SECURITIES LLC**

**Statement of Cash Flows  
Year Ended December 31, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$	818,140
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities		
Decrease in advisory fee receivable		199,667
Decrease in other assets		5,462
Decrease in accrued expenses and other liabilities		<u>(9,468)</u>
Net cash provided by operating activities		1,013,801
Cash at beginning of year		<u>580,608</u>
Cash at end of year	\$	<u><u>1,594,409</u></u>

See notes to financial statements

# CARL MARKS SECURITIES LLC

## Notes to Financial Statements December 31, 2009

### 1. ORGANIZATION AND NATURE OF BUSINESS

Carl Marks Securities LLC (the "Company"), a wholly-owned subsidiary of Carl Marks Advisory Group LLC (the "Parent") and a New York limited liability company, was formed on May 26, 2006. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority. The Company commenced its broker dealer operations on October 12, 2007 and shall continue unless terminated in accordance with its operating agreement. The Company is engaged in providing advisory services involving private placement and mergers and acquisitions for its clients. It is intended that all offerings will be exempt from registration under the provisions of either Regulation D or Rule 144A. The Company operates pursuant to SEC Rule 15c3-3(k)(2)(i) (the Customer Protection Rule) and does not hold customer funds or safekeep customer securities or engage in the underwriting of securities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash

The Company maintains cash in bank accounts which, at times, may exceed federally insured limits.

#### Revenue Recognition

Revenue is recognized on the accrual basis as it is earned. All revenue for the year ended December 31, 2009 was earned from two clients.

#### Income Taxes

As a single member LLC, the Company is considered a disregarded entity for federal, state and local income tax purposes and is not required to pay income taxes on income or gains. As such, its income and losses are reported on the Parent's tax return.

The Company has not recognized in these financial statements any interest or penalties related to income taxes and has no unrecognized tax benefits.

#### Use of Estimates

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

#### Financial Instruments

The fair value of the Company's assets and liabilities approximates the carrying amounts presented in the statement of financial condition.

# CARL MARKS SECURITIES LLC

## Notes to Financial Statements December 31, 2009

### 3. RELATED PARTY TRANSACTIONS

Effective January 1, 2009, the Company entered into a service agreement with the Parent in which the Company has agreed to reimburse the Parent \$3,500 per month for certain general and administrative costs incurred by the Parent. Effective September 1, 2009 the service agreement was modified to \$6,300 per month.

In addition, direct costs, which consist of employees' compensation and benefits, are allocated to the Company based upon actual time spent by the Parent's personnel on the Company's business.

For the period from January 1, 2009 through December 31, 2009, the Company reimbursed the Parent the following:

Direct costs	\$ 92,580
General and administrative costs	<u>53,200</u>
Total	\$ <u>145,780</u>

At December 31, 2009, \$8,159 is included in accrued expenses and other liabilities for amounts owed to the Parent for direct costs and overhead reimbursements.

The Company's financial statements may not necessarily be indicative of the Company's financial condition and results of operations had the Company operated as an unaffiliated entity of the Parent.

### 4. NET CAPITAL AND RESERVE REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule under the Securities Exchange Act of 1934 (the "Rule"). The Rule requires the maintenance of minimum net capital, as defined, of 6 2/3% of aggregate indebtedness, or \$5,000, whichever is greater, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2009, the Company's net capital of \$1,574,185 exceeded required minimum net capital of \$5,000 by \$1,569,185 and the ratio of aggregate indebtedness to net capital was .01 to 1.

The Company claims exemption from the reserve requirements under Rule 15c3-3 pursuant to paragraph (k)(2)(i).

**CARL MARKS SECURITIES LLC**

**Notes to Financial Statements  
December 31, 2009**

**5. SUBSEQUENT EVENTS**

The Company has evaluated events through February 22, 2010, the date that these financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**CARL MARKS SECURITIES LLC**

**Computation of Net Capital Under Rule 15c3-1  
Of the Securities and Exchange Commission  
Year Ended December 31, 2009**

<b>NET CAPITAL</b>	
Member's equity	\$ 1,580,277
Less: Non-allowable assets:	
Other assets	<u>(6,092)</u>
<b>NET CAPITAL</b>	<u>1,574,185</u>
 <b>MINIMUM NET CAPITAL REQUIRED</b>	
The greater of \$5,000 or 6-2/3% of aggregate indebtedness of \$20,224	<u>5,000</u>
 <b>EXCESS NET CAPITAL</b>	<u>\$ 1,569,185</u>
 <b>AGGREGATE INDEBTEDNESS</b>	
Accrued expenses and other liabilities	<u>\$ 20,224</u>
 Ratio of aggregate indebtedness to net capital	<u>.01 to 1</u>

There are no material differences between the above computation of net capital and the computation included in Company's corresponding Form X-17A-5, Part II filing as of December 31, 2009.

# Eisner

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1)

To the Member of  
Carl Marks Securities LLC

In planning and performing our audit of the financial statements and supplemental schedule of Carl Marks Securities LLC (the "Company") as of December 31, 2009 and for the year then ended, 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 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 above-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.

# Eisner

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a deficiency, or 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 above.

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, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the Financial Industry Regulatory Authority 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.



New York, New York  
February 22, 2010





Eisner LLP  
Accountants and Advisors

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Tel 212.949.8700 Fax 212.891.4100  
www.eisnerllp.com

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

To the Member of  
Carl Marks 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 [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation ("SIPC") for the period from April 1, 2009 through December 31, 2009, which were agreed to by Carl Marks Securities LLC. (the "Company") and the Securities and Exchange Commission ("SEC"), Financial Industry Regulatory Authority, Inc. and SIPC solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). The Company's management is responsible for the Company'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 the 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 the accompanying Form SIPC-7T with respective cash disbursement records entries in the Check Register noting no differences;
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2009 less revenues reported on the FOCUS reports for the period from January 1, 2009 to March 31, 2009, as applicable, with the amounts reported in the Form SIPC-7T for the period from April 1, 2009 through December 31, 2009 noting no differences;
3. No adjustments were noted;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers supporting the adjustments noting no differences; and
5. No overpayments were noted.

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 and should not be used by anyone other than these specified parties.

New York, New York  
February 22, 2010

**SIPC-7T**

(29-REV 12/09)

SECURITIES INVESTOR PROTECTION CORPORATION  
805 15th St. N.W. Suite 800, Washington, D.C. 20005-2215  
202-371-8300

**Transitional Assessment Reconciliation**

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

**SIPC-7T**

(29-REV 12/09)

**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:

067642 FINRA DEC  
CARL MARKS SECURITIES LLC 6\*6  
900 3RD AVE FL 33  
NEW YORK NY 10022-4775

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 (not less than \$150 minimum)] \$ 1383<sup>-</sup>
- B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest) (1377<sup>-</sup>)
- 7/28/09  
    Date Paid
- C. Less prior overpayment applied (-)
- D. Assessment balance due or (overpayment) 6<sup>-</sup>
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum -
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 6<sup>-</sup>
- G. PAID WITH THIS FORM:  
    Check enclosed, payable to SIPC  
    Total (must be same as F above) \$ 6<sup>-</sup>
- 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.

Carl Marks Securities LLC  
(Name of Corporation, Partnership or other organization)  
[Signature]  
(Authorized Signature)  
CFO / FINOP  
(Title)

Dated the 29 day of January, 20 10.

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 April 1, 2009  
and ending December 31, 20 09  
Eliminate cents

**Item No.**

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

\$ 553,147

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.

\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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.
- (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):

\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(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. \$ \_\_\_\_\_

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

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

Total deductions

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2d. SIPC Net Operating Revenues

\$ 553,147

2e. General Assessment @ .0025

\$ 1,383

(to page 1 but not less than \$150 minimum)