

OKB



16014239

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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  
Mail Processing  
Section  
MAR 11 2016  
Washington DC  
404

SEC FILE NUMBER  
8-68905

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 01/01/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sammons Financial Network, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

4546 Corporate Drive, Suite 100

(No. and Street)

West Des Moines  
(City)

Iowa  
(State)

50266  
(Zip Code)

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

Arlen Dykhuis

(515) 221-4845  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PricewaterhouseCoopers LLP

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

699 Walnut Street, Suite 1300, Des Moines, Iowa 50309

(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**

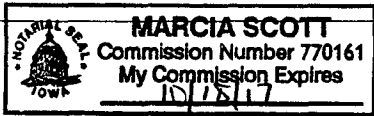
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

*[Handwritten signature]*

*[Handwritten mark]*

OATH OR AFFIRMATION

I, William Lowe, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Summas Financial Network, LLC, as of December 31, 2015, 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:



William Lowe  
Signature  
President  
Title

Marcia Scott  
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).

**SAMMONS FINANCIAL NETWORK, LLC**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2015 AND ACCOMPANYING  
REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

# SAMMONS FINANCIAL NETWORK, LLC

INDEX

DECEMBER 31, 2015

---

	<b>Page(s)</b>
<b>Report of Independent Registered Public Accounting Firm</b> .....	1
<b>Financial Statements</b>	
Statement of Financial Condition.....	2
Statement of Operations .....	3
Statement of Changes in Member's Equity.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-8
<b>Supplemental Schedules</b>	
Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission .....	10



## Report of Independent Registered Public Accounting Firm

To the board of Directors and Management of Sammons Financial Network, LLC

In our opinion, the accompanying balance sheet and the related statements of operations, changes in member's equity, and cash flows present fairly, in all material respects, the financial position of Sammons Financial Network, LLC at December 31, 2015, 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. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The computation of net capital under Rule 15c3-1 of the Securities and Exchange Commission is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Our audit procedures included determining whether the supplemental 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 supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental 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 computation of net capital under Rule 15c3-1 of the Securities and Exchange Commission is fairly stated, in all material respects, in relation to the financial statements as a whole.

*PricewaterhouseCoopers LLP*

February 29, 2016

**SAMMONS FINANCIAL NETWORK, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2015**

---

**ASSETS**

Cash and cash equivalents	\$ 6,567,740
Receivable from funds	1,266,698
Receivable from affiliate	1,048,811
Prepaid expenses	42,366
Total assets	<u>\$ 8,925,615</u>

**LIABILITIES AND MEMBER'S EQUITY**

Accounts payable and accrued expenses	\$ 318,502
Commissions payable	96,697
Payable to affiliate	2,201,217
Total liabilities	<u>2,616,416</u>
Member's equity	6,309,199
Total liabilities and member's equity	<u>\$ 8,925,615</u>

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

**SAMMONS FINANCIAL NETWORK, LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

---

**REVENUES**

Distribution fees	\$ 17,774,184
Other	<u>3,755,591</u>
Total revenues	<u>21,529,775</u>

**EXPENSES**

Employee compensation and benefits	10,569,804
Administrative fees	8,930,154
Commissions	11,265,795
Regulatory and licensing	104,759
Other	<u>2,090,240</u>
Total expenses	<u>32,960,752</u>
Net loss	<u>\$ (11,430,977)</u>

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

**SAMMONS FINANCIAL NETWORK, LLC**  
**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

---

	<u>Retained Deficit</u>	<u>Member's Contributions</u>	<u>Total</u>
<b>Balance at December 31, 2014</b>	\$ (38,209,824)	\$ 44,050,000	\$ 5,840,176
Net loss	(11,430,977)	-	(11,430,977)
Contributions from member	-	11,900,000	11,900,000
<b>Balance at December 31, 2015</b>	<u>\$ (49,640,801)</u>	<u>\$ 55,950,000</u>	<u>\$ 6,309,199</u>

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



**SAMMONS FINANCIAL NETWORK, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

---

**OPERATING ACTIVITIES**

Net loss	\$(11,430,977)
Adjustments to reconcile net loss to net cash used in operating activities	
Changes in assets and liabilities	
Increase in receivable from funds	(368,871)
Increase in receivable from affiliate	(101,911)
Decrease in prepaids	20,627
Decrease in accounts payable and accrued expenses	(216,108)
Increase in commissions payable	83,747
Increase in payable to affiliate	624,614
Net cash used in operating activities	<u>(11,388,879)</u>

**FINANCING ACTIVITIES**

Contributions from Member	<u>11,900,000</u>
Net increase in financing activities	<u>11,900,000</u>
 Net increase in cash and cash equivalents	 511,121

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>6,056,619</u>
End of year	<u>\$ 6,567,740</u>

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

**SAMMONS FINANCIAL NETWORK, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

Sammons Financial Network, LLC (the "Company") is a limited liability company under the laws of the State of Delaware with Sammons Securities, Inc. ("Member") as managing member. The Member is an indirect wholly owned subsidiary of Sammons Enterprises, Inc. ("SEI").

The Company is a registered broker-dealer subject to the rules and regulations of the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA is the Company's designated self regulatory organization.

The Company engages in the wholesaling and/or distribution of mutual funds and variable annuity products. The Company's primary business is to serve as a wholesaling firm in connection with the sale of Registered Products. The Company is registered in 52 states and/or territories with one branch office.

The Company operates pursuant to SEC Rule 15c3-3(K)(1) as a limited business (sale of mutual funds and/or variable annuities only) broker/dealer.

The Company has evaluated subsequent events for recognition or disclosure through February 29, 2016, which was the date this report was issued, and determined that there were no matters required to be disclosed.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures 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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and non-interest bearing deposits held by various banks. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of material loss.

**Receivables and Prepaid Expenses**

Receivables and prepaid expenses in the statement of financial condition include receivables due from affiliated entities for distribution, receivable from fund companies for 12B-1 fees, and prepaid expenses. Prepaid expenses consist of prepaid licensing and registration fees associated with regulatory requirements.

**SAMMONS FINANCIAL NETWORK, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

---

**Revenues and Expenses**

Revenues from the distribution of investment company shares are recorded on a trade date basis and are included in distribution fees in the accompanying statement of operations. Post-distribution revenue consist of asset-based fees that are generally based on a contractual rate as a percentage of assets, are recognized when earned and are included in distribution fees in the accompanying statement of operations.

Other revenue in the statement of operations include variable annuity distribution fees and interest income. The distribution fees from variable annuity products are recorded on the trade date in the accompanying statement of operations. The Company earns interest on its cash balances on deposit with financial institutions. A majority of the interest income is earned on deposits.

In the statement of operations, commission expenses are the amounts that are paid to other broker/dealers for commissions. Commission expense is recorded on the trade date.

Other expenses in the statement of operations include various expenses such as consulting, rent, sponsorship, and other expenses in the normal course of business recognized as incurred.

**Income Taxes**

The Company is a single member LLC and is treated as a disregarded entity for income tax purposes. As such, the Company is accounted for as a division of the Member and does not file a separate tax return. SEI is a subchapter S corporation and has elected to treat certain of its eligible subsidiaries, including the Member, as qualified subchapter S subsidiaries. As a result of these elections, the Member, and in turn the Company, are included in SEI's federal S corporation income tax return. Since the Company's portion of SEI's taxable income is passed through to its sole shareholder, no provision or liability for federal income taxes has been included in the financial statements.

**2. SIGNIFICANT ACCOUNTING PRONOUNCEMENT**

**Revenue from Contracts with Customers**

The FASB updated the accounting standards for revenue from contracts with customers. The update provides a five step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other standards). The standard also updates the accounting for certain costs associated with obtaining and fulfilling a customer contract. In addition, the standard requires disclosure of quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective beginning after January 1, 2019. The Company is currently evaluating the impact of the standard on its results of operations and financial condition.

**SAMMONS FINANCIAL NETWORK, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

---

**3. CONTRIBUTIONS FROM MEMBER**

The Member of the Company makes periodic contributions based on the cash balances, net capital, and net losses of the Company. Contributions are recognized when paid and included in the Statement of Changes in Member's Equity.

**4. RELATED PARTY TRANSACTIONS**

SEI has agreed to provide the necessary financial support to enable the Company to continue to meet its regulatory capital requirements as well as ongoing financial obligations as they become due for a period of twelve months from the issuance of the December 31, 2015 financial statements.

The Company receives various services such as personnel, the use of telecommunications, office space, systems and equipment, and other general and administrative support from Midland National Life Insurance Company ("Midland"). Midland is an indirect wholly owned subsidiary of SEI. Midland provides marketing, compliance, and sales assistance to the Company through several of its offices located in the United States of America. These fees are allocated between the Company and other affiliates based on revenues, allocation of time spent, and other variables in accordance with a written agreement. The statement of operations includes \$10,569,804 of employee compensation and benefits, \$8,930,154 of administrative fees, and \$473,417 of other expenses paid to Midland. The Company earned \$3,691,698 of variable annuity distribution fees from the distribution of Midland products. This Midland payable of \$2,201,217 is included in payable to affiliate on the statement of financial condition at December 31, 2015.

Sammons Retirement Solutions, Inc. ("SRS"), an affiliate through common ownership, pays a mutual fund commission allowance from the sales of SRS products. Included in the statement of operations are distribution fees of \$11,897,416. In addition, SRS receivable of \$1,048,811 is included in the receivable from affiliates on the statement of financial condition at December 31, 2015.

**5. COMMITMENTS AND CONTINGENT LIABILITIES**

The Company is subject to legal and regulatory actions in the ordinary course of its business.

Management of the Company, after consultation with its legal counsel, believes that the ultimate resolution of any pending litigation and regulatory matters should not have any material adverse effect on the Company's financial position or results of operations.

**6. NET CAPITAL REQUIREMENTS**

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1), pursuant to the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2015, the Company had net capital of \$3,951,324, which was \$3,776,896 in excess of its required net capital of \$174,428. The Company's ratio of aggregate indebtedness to net capital was .66 to 1.

The Company claims exemption from Customer Protection – Reserves and Custody of Securities Rule 15c3-3 pursuant to section (k) (1). The Company is a limited business (mutual fund and/or variable annuities only) broker/dealer.

## **SUPPLEMENTAL SCHEDULES**

**SAMMONS FINANCIAL NETWORK, LLC**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2015**

**SCHEDULE I**

<b>Net capital</b>	
Total Member's equity qualified for net capital	<u>\$ 6,309,199</u>
<b>Deductions and/or charges</b>	
Total nonallowable assets	
Receivable from funds	1,266,698
Receivable from affiliates	1,048,811
Prepaid expenses	42,366
Total nonallowable assets	<u>2,357,875</u>
Other deductions and/or charges	-
Net capital before haircuts	<u>3,951,324</u>
Haircuts	-
Net capital	<u>\$ 3,951,324</u>
Aggregate indebtedness	<u>\$ 2,616,416</u>
<b>Computation of basic net capital requirements</b>	
<b>Pursuant to SEC Rule 15c3-1</b>	
Minimum net capital required (6.67% of aggregate indebtedness)	(A) \$ 174,428
Minimum dollar net capital requirement	(B) <u>25,000</u>
Net capital requirement (greater of (A) or (B))	<u>174,428</u>
Excess net capital (net capital, less net capital requirement)	<u>3,776,896</u>
Net capital less greater of 10% of aggregate indebtedness or 120% of minimum dollar net capital requirement	<u>\$ 3,689,682</u>
Ratio of aggregate indebtedness to net capital	<u>.66 to 1</u>

There are no material differences between the computation above and the computation included in the Company's corresponding unaudited FOCUS Report Part IIA – Form X-17a-5 as of December 31, 2015.

**SAMMONS FINANCIAL NETWORK, LLC**

**EXEMPTION REPORT AS OF AND FOR  
THE YEAR ENDED DECEMBER 31, 2015  
AND ACCOMPANY REPORT OF  
INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

**SAMMONS FINANCIAL NETWORK, LLC**  
**EXEMPTION REPORT REQUIRED BY SEC RULE 17a-5 (d)(1) and (4)**  
**DECEMBER 31, 2015**

**Sammons Financial Network's Exemption Report**

Sammons Financial Network (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain broker and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provision of 17 C.F.R. §240.15c3-3 (k): (1) – Limited business (mutual funds and/or variable annuities only).
- (2) The Company met the identified exemption provisions in 17 C.F.R. §240.15c3-3(k) throughout the most recent fiscal year without exception.

Sammons Financial Network

I, William Lowe, affirm that, to my best knowledge and belief, the Exemption Report is true and correct.

By: 

Title President

February 29, 2016





## Report of Independent Registered Public Accounting Firm

To the board of Directors and Management of Sammons Financial Network, LLC

We have reviewed Sammons Financial Network, LLC's assertions, included in the accompanying Sammons Financial Network, LLC's Exemption Report, in which (1) the Company identified 17 C.F.R. § 240.15c3-3(k)(1) as the provision under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (the "exemption provision") and (2) the Company stated that it met the identified exemption provision throughout the year ended December 31, 2015 without exemption. The Company's management is responsible for the assertions and for compliance with the identified exemption provision throughout the year ended December 31, 2015.

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 provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. 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 assertions referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of 17 C.F.R. § 240.15c3-3.

*PricewaterhouseCoopers LLP*

February 29, 2016

Securities Investor Protection Corporation  
805 15th Street NW, Suite 800  
Washington, DC 20005-2215

Forwarding and Address Correction Requested

Check appropriate boxes.

(i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*

(ii) its business as a broker-dealer is expected to consist exclusively of:

(I) the distribution of shares of registered open end investment companies or unit investment trust

(II) the sale of variable annuities;

(III) the business of insurance;

(IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;

(iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

Pursuant to the terms of this form (detailed below).

X Paul Holt / CLO 12/21/2014  
Authorized Signature/Title Date

SIPC-3 2015

8-

8-068905 FINRA DEC 1/30/2012  
SAMMONS FINANCIAL NETWORK LLC  
4546 CORPORATE DR STE 100  
WEST DES MOINES, IA 50266

Securities Investor Protection Corporation  
805 15th Street NW, Suite 800  
Washington, DC 20005-2215

Form SIPC-3

FY 2015

**Certification of Exclusion From Membership.**

TO BE FILED BY A BROKER-DEALER WHO CLAIMS EXCLUSION FROM MEMBERSHIP IN THE SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") UNDER SECTION 78ccc(a)(2)(A) OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 ("SIPA").

The above broker-dealer certifies that during the year ending December 31, 2015 its business as a broker-dealer is expected to consist exclusively of one or more of the following (check appropriate boxes):

- (i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*
- (ii) its business as a broker-dealer is expected to consist exclusively of:
- (I) the distribution of shares of registered open end investment companies or unit investment trusts;
- (II) the sale of variable annuities;
- (III) the business of insurance;
- (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;
- (iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

and that, therefore, under section 78ccc(a)(2)(A) of SIPA it is excluded from membership in SIPC.

\*If you have any questions concerning the foreign exclusion provision please contact SIPC via telephone at 202-371-8300 or e-mail at [asksipc@sipc.org](mailto:asksipc@sipc.org) to request a foreign exclusion questionnaire.

The following bylaw was adopted by the Board of Directors:

Interest on Assessments.

... If any broker or dealer has incorrectly filed a claim for exclusion from membership in the Corporation, such broker or dealer shall pay, in addition to all assessments due, interest at the rate of 20% per annum of the unpaid assessment for each day it has not been paid since the date on which it should have been paid.

In the event of any subsequent change in the business of the undersigned broker-dealer that would terminate such broker-dealer's exclusion from membership in SIPC pursuant to section 78ccc(a)(2)(A) of the SIPA, the undersigned broker-dealer will immediately give SIPC written notice thereof and make payment of all assessments thereafter required under section 78ddd(c) of the SIPA.

Sign, date and return this form no later than 30 days after the beginning of the year, using the enclosed return envelope.

Retain a copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.