

TS
8/28/14

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



14041411

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

SEC FILE NUMBER
8- 30534

*

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 July 1, 2013 AND ENDING June 30, 2014
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: R.M. Duncan Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

501 North University, Suite 101

(No. and Street)

Little Rock, AR 72205

(City)

(State)

(Zip Code)

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

Bob Randolph 501-280-0200

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Nathan T. Tuttle, CPA

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

1901 Post Oak Park Drive #4202 Houston, TX 77002

(Address)

(City)

(State)

(Zip Code)

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
AUG 28 2014
REGISTRATIONS BRANCH

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

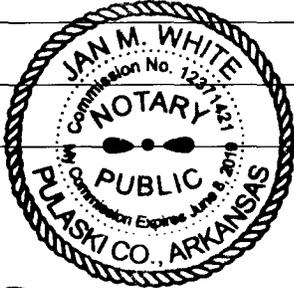
SEC 1410 (06-02)

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

TS
8/28/14

OATH OR AFFIRMATION

I, Randall M. Duncan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of R.M. Duncan Securities, Inc., as of June 30, 20 14, 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:



Randall M. Duncan
Signature

President

Title

Jan M. White
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).

R.M. Duncan Securities, Inc.

**Financial Statements and Supplemental Schedules
Required by the U.S. Securities and Exchange Commission**

**Including Independent Auditor's
Report and
Additional Information
For the Year-Ended June 30, 2014**



Nathan T. Tuttle, CPA

INDEPENDENT AUDITOR'S REPORT

To the Shareholder
R. M. Duncan Securities, Inc.
Littlerock, Arkansas

Report on the financial statements

I have audited the accompanying statement of financial condition of R. M. Duncan Securities, Inc. (the "Company") as of June 30, 2014, and the related statements of operations, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. The financial statements of R. M. Duncan Securities, Inc. as of June 30, 2013, were audited by other auditors whose report dated August 20, 2013, expressed an unqualified opinion on those statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that that the audit evidence that I obtained is sufficient and appropriate to provide a reasonable basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

This audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the Supplemental Schedules required by Rule 17a-5 under the Securities and Exchange Act of 1934 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Houston, TX
August 27, 2014



Nathan T. Tuttle, CPA

R.M. Duncan Securities, Inc.

Financial Statements

Statement of Financial Condition

As of June 30, 2014

	<u>ASSETS</u>	
ASSETS	2014	2013
CASH	\$ 1,694	\$ 2,881
RECEIVABLES - BROKERS AND OTHER COMMISSIONS	8,000	3,772
- RELATED PARTY	82,500	1,000
SECURITIES OWNED	45,356	124,666
CLEARING DEPOSIT	30,797	30,770
FURNITURE AND FIXTURES, AT COST, LESS ACCUMULATED DEPRECIATION 2013 \$21,555; 2014 \$21,807	-	252
SECURED DEMAND NOTES	<u>100,000</u>	<u>100,000</u>
TOTAL ASSETS	<u>\$ 268,347</u>	<u>\$ 263,341</u>
	<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>	
LIABILITIES		
ACCOUNTS PAYABLE	7,725	4,941
ACCRUED SALARIES AND PAYROLL TAXES	852	12,956
ACCRUED INTEREST PAYABLE - RELATED PARTY	2,671	2,670
PAYABLE TO BROKER-DEALERS AND CLEARING HOUSE	<u>44,002</u>	<u>74,982</u>
TOTAL LIABILITIES	<u>55,250</u>	<u>95,549</u>
COMMITMENTS AND CONTINGENCIES AND GUARANTEES		
SUBORDINATED BORROWINGS	<u>100,000</u>	<u>100,000</u>
STOCKHOLDER'S EQUITY		
COMMON STOCK, NO PAR VALUE, 1,000 SHARES AUTHORIZED, 100 SHARES ISSUED AND OUTSTANDING	6,000	6,000
ADDITIONAL PAID-IN CAPITAL	151,750	85,250
RETAINED DEFICIT	(44,653)	(23,458)
TOTAL STOCKHOLDER'S EQUITY	<u>113,097</u>	<u>67,792</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 268,347</u>	<u>\$ 263,341</u>

R.M. Duncan Securities, Inc.

Notes to Financial Statements

As of June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. BUSINESS ENTITY - R.M. DUNCAN SECURITIES, INC. (THE COMPANY) IS A REGISTERED BROKER-DEALER WITH THE SECURITIES AND EXCHANGE COMMISSION. THE COMPANY'S ACTIVITIES INCLUDE DIRECT PARTICIPATION PROGRAMS, PRIVATE PLACEMENTS, RETAILING OF CORPORATE SECURITIES OVER-THE-COUNTER, BROKERING OF U.S. GOVERNMENT SECURITIES, SOLICITING OF INSTITUTIONS AND RETAIL CLIENTS, AND WRITING OF PUTS AND CALLS AS A BROKER. THE COMPANY'S SECURITIES TRANSACTIONS ARE EXECUTED AND CUSTOMER ACCOUNTS ARE CARRIED ON A FULLY DISCLOSED BASIS WITH SOUTHWEST SECURITIES INCORPORATED.
- B. CASH AND CASH EQUIVALENTS - FOR THE PURPOSES OF THE STATEMENT OF CASH FLOWS, THE COMPANY CONSIDERS ALL CERTIFICATES OF DEPOSIT AND ALL LIQUID CASH INVESTMENTS WITH ORIGINAL MATURITIES OF LESS THAN THREE MONTHS TO BE CASH EQUIVALENTS.
- C. SECURITIES TRANSACTIONS - PROPRIETARY SECURITIES TRANSACTIONS IN REGULAR WAY TRADES ARE RECORDED ON THE TRADE DATE, AS IF THEY HAD SETTLED. PROFIT AND LOSS ARISING FROM ALL SECURITIES TRANSACTIONS ENTERED INTO FOR THE ACCOUNT AND RISK OF THE COMPANY ARE RECORDED ON A TRADE DATE BASIS. CUSTOMERS' SECURITIES TRANSACTIONS AND THE RELATED COMMISSION INCOME AND EXPENSES ARE REPORTED ON A TRADE DATE BASIS.

MARKETABLE SECURITIES ARE VALUED AT MARKET VALUE, AND SECURITIES NOT READILY MARKETABLE ARE VALUED AT FAIR VALUE AS DETERMINED BY MANAGEMENT.

- D. FURNITURE AND FIXTURES - FURNITURE AND FIXTURES ARE STATED AT COST. DEPRECIATION IS PROVIDED USING THE STRAIGHT - LINE METHOD OVER THE ESTIMATED USEFUL LIVES OF THE ASSETS.
- E. INCOME TAXES - THE COMPANY, WITH THE CONSENT OF ITS STOCKHOLDER, HAS ELECTED UNDER THE INTERNAL REVENUE CODE AND THE ARKANSAS STATE INCOME TAX LAWS TO BE AN S CORPORATION. IN LIEU OF CORPORATION INCOME TAXES, THE STOCKHOLDER OF AN S CORPORATION IS TAXED ON HIS/HER PROPORTIONATE SHARE OF THE COMPANY'S TAXABLE INCOME. THEREFORE, NO PROVISION OR LIABILITY FOR FEDERAL OR STATE INCOME TAXES HAS BEEN INCLUDED IN THE FINANCIAL STATEMENTS.

THE FEDERAL INCOME TAX RETURNS OF THE COMPANY FOR 2013, 2012, AND 2011 ARE SUBJECT TO EXAMINATION BY THE IRS, GENERALLY FOR THREE YEARS AFTER THEY WERE FILED.

- F. ACCOUNTS RECEIVABLE - UNCOLLECTIBLE ACCOUNTS RECEIVABLE ARE CHARGED DIRECTLY AGAINST EARNINGS WHEN THEY ARE DETERMINED TO BE UNCOLLECTIBLE. USE OF THIS METHOD DOES NOT RESULT IN A MATERIAL DIFFERENCE FROM THE VALUATION METHOD REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.
- G. CLEARING DEPOSIT - THE COMPANY HAS PLACED A \$30,000 CLEARING DEPOSIT WITH SOUTHWEST SECURITIES INCORPORATED WHICH IS FULLY REFUNDABLE TO THE COMPANY SHOULD IT CLOSE THE CLEARING ACCOUNT.
- H. USE OF ESTIMATES - THE PREPARATION OF FINANCIAL STATEMENTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT THE REPORTED AMOUNTS OF ASSETS AND LIABILITIES AND DISCLOSURE 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- I. CONCENTRATIONS OF CREDIT RISK - FINANCIAL INSTRUMENTS THAT POTENTIALLY EXPOSE THE ORGANIZATION TO CONCENTRATIONS OF CREDIT RISK ARE CASH EQUIVALENTS. CASH EQUIVALENTS ARE MAINTAINED AT HIGH-QUALITY FINANCIAL INSTITUTIONS AND CREDIT EXPOSURE IS LIMITED TO ANY ONE INSTITUTION. THE ORGANIZATION HAS NOT EXPERIENCED ANY LOSSES ON ITS CASH EQUIVALENTS. THE COMPANY IS ENGAGED IN VARIOUS TRADING AND BROKERAGE ACTIVITIES IN WHICH COUNTERPARTIES PRIMARILY INCLUDE BROKER-DEALERS, BANKS, AND OTHER FINANCIAL INSTITUTIONS. IN THE EVENT COUNTERPARTIES DO NOT FULFILL THEIR OBLIGATIONS, THE COMPANY MAY BE EXPOSED TO RISK. THE RISK OF DEFAULT DEPENDS ON THE CREDIT WORTHINESS OF THE COUNTERPARTY OR ISSUER OF THE INSTRUMENT. IT IS THE COMPANY'S POLICY TO REVIEW, AS NECESSARY, THE CREDIT STANDING OF EACH COUNTERPARTY.
- J. RECLASSIFICATION - CERTAIN 2013 AMOUNTS HAVE BEEN RECLASSIFIED TO CONFORM TO THE 2014 PRESENTATION.

2. **RECEIVABLES FROM AND PAYABLES TO BROKER AND CLEARING HOUSE**

AMOUNTS RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING HOUSE AT JUNE 30, 2014 AND 2013 CONSIST OF THE FOLLOWING:

	RECEIVABLE	PAYABLE
	-----	-----
AT JUNE 30, 2014:		
PAYABLE TO CLEARING HOUSE	\$ -	\$ 8,589
RECEIVABLE FROM CLEARING HOUSE	8,000	-
FEES COMMISSIONS RECEIVABLE/PAYABLE	-	35,413
	-----	-----
TOTALS	\$ 8,000	\$ 44,002
	=====	=====
AT JUNE 30, 2013:		
PAYABLE TO CLEARING HOUSE	\$ -	\$ 74,825
RECEIVABLE FROM CLEARING HOUSE	3,772	-
FEES COMMISSIONS RECEIVABLE/PAYABLE	-	157
	-----	-----
TOTALS	\$ 3,772	\$ 74,982
	=====	=====

THE COMPANY CLEARS CERTAIN OF ITS PROPRIETARY AND CUSTOMER TRANSACTIONS THROUGH ANOTHER BROKER-DEALER ON A FULLY DISCLOSED BASIS. THE AMOUNT PAYABLE TO THE CLEARING HOUSE RELATES TO THE AFOREMENTIONED TRANSACTIONS AND IS COLLATERALIZED BY SECURITIES OWNED BY THE COMPANY.

3. **SECURITIES OWNED**

FAIR VALUE MEASUREMENT

FASB ASC 820 DEFINES FAIR VALUE, ESTABLISHES A FRAMEWORK FOR MEASURING FAIR VALUE, AND ESTABLISHES A FAIR VALUE HIERARCHY WHICH PRIORITIZES THE INPUTS TO VALUATION TECHNIQUES. FAIR VALUE IS THE PRICE THAT WOULD BE RECEIVED TO SELL AN ASSET OR PAID TO TRANSFER A LIABILITY IN AN ORDERLY TRANSACTION BETWEEN MARKET PARTICIPANTS AT THE MEASUREMENT DATE. A FAIR VALUE MEASUREMENT ASSUMES THAT THE TRANSACTION TO SELL THE ASSET OR TRANSFER THE LIABILITY OCCURS IN THE PRINCIPAL MARKET FOR THE ASSET OR LIABILITY OR, IN THE ABSENCE OF A PRINCIPAL MARKET, THE MOST ADVANTAGEOUS MARKET. VALUATION TECHNIQUES THAT ARE CONSISTENT WITH THE MARKET, INCOME OR COST APPROACH, AS SPECIFIED BY FASB ASC 820, ARE USED TO MEASURE FAIR VALUE.

THE FAIR VALUE HIERARCHY PRIORITIZES THE INPUTS TO VALUATION TECHNIQUES USED TO MEASURE FAIR VALUE INTO THREE BROAD LEVELS:

LEVEL 1 INPUTS ARE QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES THE COMPANY HAS THE ABILITY TO ACCESS.

LEVEL 2 INPUTS ARE INPUTS (OTHER THAN QUOTED PRICES INCLUDED WITHIN LEVEL 1) THAT ARE OBSERVABLE FOR THE ASSET OR LIABILITY, EITHER DIRECTLY OR INDIRECTLY.

LEVEL 3 ARE UNOBSERVABLE INPUTS FOR THE ASSET OR LIABILITY AND RELY ON MANAGEMENT'S OWN ASSUMPTIONS ABOUT THE ASSUMPTIONS THAT MARKET PARTICIPANTS WOULD USE IN PRICING THE ASSET OR LIABILITY. (THE UNOBSERVABLE INPUTS SHOULD BE DEVELOPED BASED ON THE BEST INFORMATION AVAILABLE IN THE CIRCUMSTANCES AND MAY INCLUDE THE COMPANY'S OWN DATA.)

THE FOLLOWING TABLE PRESENTS THE COMPANY'S FAIR VALUE HIERARCHY FOR THOSE ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS AS OF JUNE 30, 2014 AND 2013. THE INPUTS USED FOR LEVEL 2 VALUATION REPRESENTED BIDS FROM A BROKER / DEALER TO PURCHASE THE ASSET AT A STATED PRICE.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS
AS OF JUNE 30, 2014

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
ASSETS				
FINANCIAL INSTRUMENTS OWNED				
CORPORATE BONDS	\$ -	\$ -	\$ -	\$ -
MUNICIPAL BONDS	10,337	-	-	10,337
EQUITIES	35,019	-	-	35,019
TOTALS	<u>\$ 45,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,356</u>

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS
AS OF JUNE 30, 2013

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
ASSETS				
FINANCIAL INSTRUMENTS OWNED				
CORPORATE BONDS	\$ 1,313	\$ -	\$ -	\$ 1,313
MUNICIPAL BONDS	72,965	-	-	72,965
EQUITIES	50,388	-	-	50,388
TOTALS	<u>\$ 124,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,666</u>

4. SUBORDINATED BORROWINGS

THE BORROWINGS UNDER SUBORDINATION AGREEMENTS CONSISTED OF THE FOLLOWING:

	<u>2014</u>	<u>2013</u>
4.00% NOTE PAYABLE TO THE SHAREHOLDER, PAYABLE IN ANNUAL INSTALLMENTS OF INTEREST, SECURED BY PLEDGED STOCK AS DEFINED IN THE COLLATERAL AGREEMENT, DUE IN OCTOBER 2015.	<u>\$ 100,000</u>	<u>\$ 100,000</u>

AGGREGATE MATURITIES OF SUBORDINATED BORROWINGS ARE AS FOLLOWS:

FOR THE YEAR ENDED JUNE 30, 2015	\$ -
2016	100,000
	<u>\$ 100,000</u>

THE SUBORDINATED BORROWINGS ARE WITH RELATED PARTIES AND ARE AVAILABLE IN COMPUTING NET CAPITAL UNDER THE SEC'S UNIFORM NET CAPITAL RULE. TO THE EXTENT THAT SUCH BORROWINGS ARE REQUIRED FOR THE COMPANY'S CONTINUED COMPLIANCE WITH MINIMUM NET CAPITAL REQUIREMENTS, THEY MAY NOT BE REPAID. THE FAIR MARKET VALUE OF THE SUBORDINATED BORROWINGS IS \$368,382 AND \$225,008 AT JUNE 30, 2014 AND 2013, RESPECTFULLY.

5. NET CAPITAL REQUIREMENT

THE COMPANY IS REQUIRED TO MAINTAIN MINIMUM NET CAPITAL AS DEFINED UNDER RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934 AND RELATED REGULATIONS. THE COMPANY USES THE AGGREGATE INDEBTEDNESS METHOD WHICH REQUIRES A BROKER-DEALER TO MAINTAIN MINIMUM NET CAPITAL OF 6-2/3% OF AGGREGATE INDEBTEDNESS OR \$100,000, WHICHEVER IS GREATER, AND ALSO REQUIRES THAT THE RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL NOT EXCEED 15 TO 1. NET CAPITAL (AS DEFINED) AT JUNE 30, 2014 AND 2013 WAS \$149,382 AND \$121,713, RESPECTIVELY, AND THE COMPANY'S AGGREGATE INDEBTEDNESS TO NET CAPITAL RATIO WAS .37 TO 1 AND .08 TO 1, RESPECTIVELY.

6. RELATED PARTY TRANSACTIONS

THE PRESIDENT / SHAREHOLDER OF R.M. DUNCAN SECURITIES, INC. SERVES AS GENERAL PARTNER OF EMINENCE INVESTORS, LLLP. THE COMPANY EARNED GROSS COMMISSIONS OF \$967 AND \$2,021 IN 2014 AND 2013, RESPECTIVELY, ON TRADES EXECUTED FOR THIS PARTNERSHIP.

THE COMPANY RENTED OFFICE SPACE FROM THE PRESIDENT / SHAREHOLDER OF R.M. DUNCAN SECURITIES, INC. THE COMPANY PAID \$24,296 AND \$26,504 IN 2014 AND 2013, RESPECTIVELY, FOR RENT TO THIS SHAREHOLDER.

THE COMPANY EARNED GROSS COMMISSIONS OF \$10,395 AND \$13,365 IN 2014 AND 2013, RESPECTIVELY, ON TRADES EXECUTED FOR RELATIVES OF OFFICERS OF THE CORPORATION AND OTHER RELATED ENTITIES.

THE PRESIDENT / SHAREHOLDER OF R.M. DUNCAN SECURITIES, INC. SERVES AS GENERAL PARTNER OF STUART STREET INVESTORS I, LIMITED PARTNERSHIP. THE COMPANY RECEIVED COMMISSIONS OF APPROXIMATELY \$81,500 DURING THE YEAR ENDED JUNE 30, 2014 FOR THE PRIVATE PLACEMENT OF THE LIMITED PARTNERSHIP.

7. COMMITMENTS

THE TOTAL RENT EXPENSE FOR THE YEARS ENDED JUNE 30, 2014 AND 2013, WAS \$24,296 AND \$26,504, RESPECTIVELY. THE RENTAL AGREEMENT RUNS FROM YEAR TO YEAR EXPIRING IN MAY.

THE FOLLOWING IS A SCHEDULE OF FUTURE MINIMUM RENTAL PAYMENTS UNDER NON-CANCELABLE OPERATING LEASES AS OF JUNE 30, 2014:

JUNE 30, 2014	\$	24,296

	\$	24,296
		=====

8. MAJOR CUSTOMER

REVENUE FROM ONE CUSTOMER APPROXIMATED \$541,558 OR 48% OF TOTAL REVENUES FOR THE YEAR ENDED JUNE 30, 2014. LIKewise, TWO CUSTOMERS APPROXIMATED \$482,530 OR 45% OF TOTAL REVENUES FOR THE YEAR ENDED JUNE 30, 2013.

9. SUBSEQUENT EVENT

SUBSEQUENT TO JUNE 30, 2014, THE COMPANY WAS NOTIFIED BY THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) THROUGH THE SUBMISSION OF AN UNEXECUTED LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) FOR THE RESOLUTION OF CHARGES CURRENTLY UNDER CONSIDERATION BY FINRA'S DEPARTMENT OF MARKET REGULATION. THIS LETTER IMPOSES FINES TOTALING \$150,000 AND RESTITUTION IN THE AMOUNT OF \$64,933.21. IT IS THE COMPANY'S CONTENTION THAT THE ACCUSATIONS ARE UNSUBSTANTIATED AND WITHOUT MERIT. IN ADDITION, THE COMPANY INTENDS TO TAKE THE MATTER TO A HEARING AND VIGOROUSLY DEFEND ITS POSITION. IT IS COMPANY'S OPINION THAT THEY WILL PREVAIL AND FINES AND RESTITUTION WILL NOT BE IMPOSED.

THE COMPANY EVALUATED THE EVENTS AND TRANSACTIONS SUBSEQUENT TO ITS JUNE 30, 2014 FINANCIAL STATEMENT DATE AND DETERMINED THERE WERE NO ADDITIONAL SUBSEQUENT EVENTS, OTHER THAN NOTED ABOVE, TO REPORT THROUGH AUGUST 27, 2014, WHICH IS THE DATE THE COMPANY ISSUED ITS FINANCIAL STATEMENTS.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]