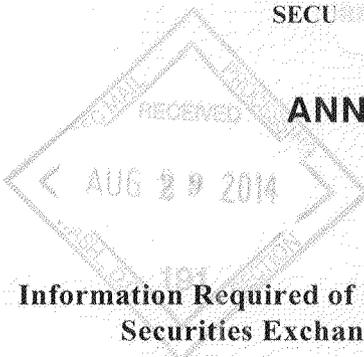




SECURITIES CONTROL BOARD 14041465 COMMISSION

TJ  
9/2/14

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 FILE NUMBER  
8- 14299

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 07/01/13 AND ENDING 06/30/14  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Wilson-Davis & Company, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

236 South Main Street

(No. and Street)

Salt Lake City

Utah

84101

(City)

(State)

(Zip Code)

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

Lyle W. Davis

(801) 532-1313

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

HJ & Associates, L.L.C.

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

50 West Broadway Suite #600

Salt Lake City

Utah

84101

(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)

DD  
9/4/14

**WILSON-DAVIS & COMPANY, INC.**

**FORM X-17A-5**

**WITH**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**YEAR ENDED JUNE 30, 2014**

**WILSON-DAVIS & COMPANY, INC.**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Wilson-Davis & Company, Inc.  
236 South Main Street  
Salt Lake City, Utah 84101

We have audited the accompanying statement of financial condition of Wilson-Davis & Company, Inc. (the Company) as of June 30, 2014, and the related statements of income, changes in liabilities subordinated to claims of general creditors, changes in stockholders' equity and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements on our audits.

We conducted our audits 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. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Wilson-Davis & Company, Inc. 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.

The supplementary information contained in Schedule I – Computation Of Net Capital, Schedule II – Reconciliation To Respondent's Unaudited Computation, Schedule III – Computation For Determination Of Reserve Requirements For Broker-Dealers Under Rule 15c3-3, Schedule IV – Reconciliation Of Computation For Determination Of Reserve Requirements Under Rule 15c3-3, and Schedule V – Information For Possession Or Control Requirements Under Rule 15c3-3, (the Supplemental Information) has been subjected to audit procedures performed in conjunction with the audit of Wilson-Davis & Company, Inc.'s financial statements which are presented in Wilson-Davis & Company, Inc.'s June 30, 2014 Annual Report. The Supplemental Information is the responsibility of the Wilson-Davis & Company, Inc.'s management. 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 paragraph (d)(2) of Rule 17a-5. In our opinion, the supplementary information contained in Schedule I – Computation Of Net Capital, Schedule II – Reconciliation To Respondent’s Unaudited Computation, Schedule III – Computation For Determination Of Reserve Requirements For Broker-Dealers Under Rule 15c3-3, Schedule IV – Reconciliation Of Computation For Determination Of Reserve Requirements Under Rule 15c3-3, and Schedule V – Information For Possession Or Control Requirements Under Rule 15c3-3 are fairly stated, in all material respects, in relation to the financial statements as a whole.

HJ & Associates, LLC

HJ & Associates, LLC

Salt Lake City, Utah  
August 28, 2014

OATH OR AFFIRMATION

I, Lyle W. Davis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Wilson-Davis & Company, Inc. of June 30, 2014, 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:

[Handwritten Signature]

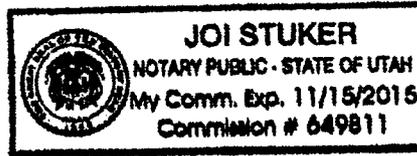
Signature

Secretary/Treasurer

Title

[Handwritten Signature: Joi Stuker]

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).

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**JUNE 30, 2014**

**ASSETS**

**Current assets:**

|                                                                                              |                      |
|----------------------------------------------------------------------------------------------|----------------------|
| Cash and cash equivalents                                                                    | \$ 5,158,290         |
| Cash segregated in accordance with Federal regulations                                       | 6,400,000            |
| Receivables from broker dealers and clearing organization                                    | 2,173,188            |
| Trading securities, at market value                                                          | 129,868              |
| Receivables from customers, net of allowance for doubtful accounts of \$25,000               | 219,925              |
| Commissions receivable                                                                       | 24,248               |
| Deferred income tax asset                                                                    | 20,200               |
| Receivables from officers and directors                                                      | 959                  |
| <b>Total current assets</b>                                                                  | <u>14,126,678</u>    |
| <br>                                                                                         |                      |
| Cash deposits with clearing organization and other broker dealers                            | 2,015,000            |
| Property and equipment, at cost, less accumulated depreciation and amortization of \$299,256 | 30,609               |
| Other assets                                                                                 | 72,516               |
| <b>Total assets</b>                                                                          | <u>\$ 16,244,803</u> |

Continued - next page

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

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**JUNE 30, 2014**

Continued -

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities:**

|                                                      |                          |
|------------------------------------------------------|--------------------------|
| Payables to customers                                | \$ 9,038,925             |
| Accounts of and payables to officers and directors   | 2,984,302                |
| Commissions, payroll and payroll taxes payable       | 656,104                  |
| Accounts payable and accrued expenses                | 398,571                  |
| Payables to broker dealers and clearing organization | 44,799                   |
| Current portion of notes payable                     | 18,801                   |
| Income taxes payable                                 | 14,903                   |
| Securities sold not yet purchased, at market value   | <u>2,775</u>             |
| <b>Total current liabilities</b>                     | <b><u>13,159,180</u></b> |

**Long-term liabilities:**

|                                                     |                       |
|-----------------------------------------------------|-----------------------|
| Subordinated borrowings from officers and directors | 650,000               |
| Deferred income tax liability                       | 6,300                 |
| Notes payable                                       | <u>825</u>            |
| <b>Total long-term liabilities</b>                  | <b><u>657,125</u></b> |

**Total liabilities**

**13,816,305**

**Stockholders' equity:**

|                                                                                                      |                         |
|------------------------------------------------------------------------------------------------------|-------------------------|
| Common stock, \$.10 par value, 1,000,000 shares authorized,<br>350,000 shares issued and outstanding | 35,000                  |
| Additional paid-in capital                                                                           | 9,837                   |
| Retained earnings                                                                                    | <u>2,383,661</u>        |
| <b>Total stockholders' equity</b>                                                                    | <b><u>2,428,498</u></b> |

**Total liabilities and stockholders' equity**

**\$ 16,244,803**

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

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|                                                    |                                |
|----------------------------------------------------|--------------------------------|
| <b>Revenues:</b>                                   |                                |
| Commissions                                        | \$ 6,242,867                   |
| Net gains on firm trading accounts                 | 91,618                         |
| Other                                              | <u>46,489</u>                  |
| <b>Total revenues</b>                              | <u><b>6,380,974</b></u>        |
| <b>Expenses:</b>                                   |                                |
| Compensation, payroll taxes and benefits           | 4,789,065                      |
| Communications                                     | 904,834                        |
| Regulatory, professional fees and related expenses | 386,368                        |
| Occupancy and equipment                            | 111,345                        |
| Bank charges                                       | 45,372                         |
| Interest                                           | 37,951                         |
| Clearing costs and transfer fees                   | 37,928                         |
| Other expense                                      | <u>8,287</u>                   |
| <b>Total expenses</b>                              | <u><b>6,321,150</b></u>        |
| <b>Income before income taxes</b>                  | 59,824                         |
| Income tax expense                                 | <u>12,566</u>                  |
| <b>Net income</b>                                  | <u><u><b>\$ 47,258</b></u></u> |

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

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Cash Flows from Operating Activities:**

|                                                           |                  |                  |
|-----------------------------------------------------------|------------------|------------------|
| Net income                                                |                  | \$ 47,258        |
| Noncash revenue and expense adjustments:                  |                  |                  |
| Depreciation and amortization expense                     | 19,008           |                  |
| Change in deferred income taxes                           | (14,000)         |                  |
| Noncash regulatory agency fine assessment                 | 20,625           |                  |
| (Increase) decrease in assets:                            |                  |                  |
| Cash segregated in accordance with Federal regulations    | (2,450,000)      |                  |
| Receivables from registered representative                | 1,968,354        |                  |
| Receivables from broker dealers and clearing organization | (1,271,252)      |                  |
| Trading securities, at market value                       | 378,288          |                  |
| Receivables from customers                                | 34,493           |                  |
| Commissions receivable                                    | 4,177            |                  |
| Income taxes receivable                                   | 8,358            |                  |
| Receivables from officers and directors                   | 4,855            |                  |
| Other assets                                              | (40,508)         |                  |
| Increase (decrease) in liabilities:                       |                  |                  |
| Payables to customers                                     | 4,813,496        |                  |
| Accounts of and payables to officers and directors        | (1,607,368)      |                  |
| Commissions, payroll and payroll taxes payable            | 405,980          |                  |
| Accounts payable and accrued expenses                     | 154,047          |                  |
| Securities sold but not yet purchased                     | (9,203)          |                  |
| Payables to broker dealers                                | 35,548           |                  |
| Income taxes payable                                      | 14,176           |                  |
| <b>Net cash provided by operating activities</b>          | <u>2,469,074</u> | <u>2,516,332</u> |

**Cash Flows from Investing Activities:**

|                                                 |                |                |
|-------------------------------------------------|----------------|----------------|
| Cash paid for purchase of fixed assets          | (6,577)        |                |
| <b>Net cash (used for) investing activities</b> | <u>(6,577)</u> | <u>(6,577)</u> |

**Cash Flows from Financing Activities:**

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Principal payments on subordinated debt         | (85,000)         |                  |
| Principal payments on long-term debt            | (37,225)         |                  |
| <b>Net cash (used for) financing activities</b> | <u>(122,225)</u> | <u>(122,225)</u> |

|                                                  |  |                     |
|--------------------------------------------------|--|---------------------|
| <b>Net increase in cash and cash equivalents</b> |  | 2,387,530           |
| Cash and cash equivalents at beginning of year   |  | <u>2,770,760</u>    |
| <b>Cash and cash equivalents at end of year</b>  |  | <u>\$ 5,158,290</u> |

Continued - next page

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

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Continued -

**Supplemental disclosures of cash flow information:**

|                   |                  |
|-------------------|------------------|
| 1. Cash paid for: |                  |
| Interest          | <u>\$ 37,951</u> |
| Income taxes      | <u>\$ 4,409</u>  |

2. Schedule of Non-cash Transactions:

During the year ended June 30, 2014, the Company financed a portion of a fine assessed by FINRA totaling \$20,625 (see note 7).

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

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|                          | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid-in<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>        |
|--------------------------|-------------------------|-------------------------------------------|------------------------------|---------------------|
| Balances - July 01, 2013 | \$ 35,000               | \$ 9,837                                  | \$ 2,336,403                 | \$ 2,381,240        |
| Increased by:            |                         |                                           |                              |                     |
| Net income               | -----                   | -----                                     | 47,258                       | 47,258              |
| Balances - June 30, 2014 | <u>\$ 35,000</u>        | <u>\$ 9,837</u>                           | <u>\$ 2,383,661</u>          | <u>\$ 2,428,498</u> |

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

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO**  
**CLAIMS OF GENERAL CREDITORS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|                                           |                   |
|-------------------------------------------|-------------------|
| Subordinated Borrowings;<br>July 01, 2013 | \$ 735,000        |
| Issuance of new loan                      | --                |
| Principal payments on loans               | <u>(85,000)</u>   |
| Subordinated Borrowings;<br>June 30, 2014 | <u>\$ 650,000</u> |

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

**WILSON-DAVIS & COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Nature of Business**

The Company is a securities broker and dealer, dealing in over-the-counter and listed securities. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

Revenue is derived principally from trading in securities for its own account and for the accounts of customers for which a commission is received.

The Company has operations in Utah, Arizona, California, Colorado and Florida. Transactions for customers are principally in the states where the Company operates, however, some customers are located in other states in which the Company is registered. Principal trading activities are conducted with other broker dealers throughout the United States.

**b. Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred.

**c. Securities Transactions**

Securities transactions and the related commission revenue are recorded in the accounts on a trade date basis, which is the day the transaction is executed. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded at net (see note 4).

**d. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the Company's bank accounts and any highly liquid investments with an initial maturity of three months or less.

**e. Trading Securities**

Securities held in the Company's trading account and trading securities sold not yet purchased, consist primarily of over-the-counter securities and are valued based upon quoted market prices. The value of securities that are not readily marketable are estimated by management based upon quoted prices, the number of market makers, trading volume and number of shares held. Unrealized gains and losses are reflected in income in the financial statements.

**f. Furniture, Equipment and Depreciation**

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation on furniture and equipment is provided using accelerated and straight-line methods over expected useful lives of two to seven years. The Company uses accelerated depreciation methods and Internal Revenue Code section 179 expense deductions for tax purposes, when applicable.

**g. Income Taxes**

The Company utilizes the asset and liability method to account for income taxes. The objective of this method is to establish deferred tax assets and liabilities for the temporary differences between net income for financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized.

## Notes to Financial Statements - continued

Income tax expense or benefit is provided based upon the financial statement earnings of the Company. The allowance for doubtful accounts is deductible for financial statement purposes, but not for tax purposes. Depreciation expense is recognized in different periods for tax and financial accounting purposes due to the use of accelerated depreciation methods for income tax purposes. Certain amounts due to officers are recognized in different periods for tax and financial accounting purposes due to tax regulations which require certain accrued amounts to shareholders be recognized when paid. Net operating losses that can not be carried back can be carried forward to future periods. The tax effects of such differences are reported as deferred income taxes in the financial statements.

### h. Fair Value of Financial Instruments

FASB ASC 825-10 *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. FASB ASC 825-10 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, receivables, accounts payable and accrued expenses approximate carrying value, principally because of the short maturity of those items.

### i. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles and prevailing industry practices requires management to make estimates and assumptions regarding trading securities, depreciation and other matters that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

## 2. CASH SEGREGATED IN ACCORDANCE WITH FEDERAL REGULATIONS

The Company is required by Rule 15c3-3 of the Securities and Exchange Commission to maintain a cash reserve with respect to customers' transactions and credit balances, on a settlement date basis. Such a reserve is computed weekly using a formula provided by the rule and the reserve account must be separate from all other bank accounts of the Company. The required reserve as of June 30, 2014 was calculated to be \$6,959,294. The Company had \$6,400,000 cash on deposit in the reserve account, which was \$559,294 less than the amount required. On July 1, 2014 the Company deposited \$700,000 to the reserve account in accordance with the rule which created an excess of \$140,706.

## 3. RECEIVABLES AND PAYABLES WITH BROKER DEALERS AND CLEARING ORGANIZATION

At June 30, 2014, amounts receivable and payable with broker dealers and the clearing organization include:

|                                               | <u>Receivables</u>  | <u>Payables</u>  |
|-----------------------------------------------|---------------------|------------------|
| Due from other broker dealers                 | \$ 21,211           | \$ --            |
| Due from or to the clearing organization, net | 1,193,766           | --               |
| Fails to deliver and receive                  | 958,211             | 44,799           |
| Totals                                        | <u>\$ 2,173,188</u> | <u>\$ 44,799</u> |

## Notes to Financial Statements - continued

### 4. CUSTOMER RECEIVABLES AND PAYABLES

Accounts receivable from and payable to customers at June 30, 2014 include only cash accounts. Securities owned by customers are held as collateral for any unpaid amounts. Such collateral is not reflected in the financial statements. The Company provides an allowance for doubtful accounts, as needed, for accounts in which collection is uncertain. Management periodically evaluates each account on a case-by-case basis to determine impairment. Accounts that are deemed uncollectible are written off to bad debt expense. Bad debt expense and trading error adjustments for the year ended June 30, 2014 were \$5,986.

### 5. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

|                                                |                  |
|------------------------------------------------|------------------|
| Equipment                                      | \$ 127,384       |
| Leasehold improvements                         | 79,455           |
| Software                                       | 79,445           |
| Furniture and fixtures                         | <u>43,581</u>    |
|                                                | 329,865          |
| Less accumulated depreciation and amortization | <u>(299,256)</u> |
|                                                | <u>\$ 30,609</u> |

Depreciation expense for the year ended June 30, 2014 was \$19,008.

### 6. LINE OF CREDIT ARRANGEMENT

The Company had a revolving line-of-credit agreement with its bank which permitted the Company to borrow up to \$250,000 at 1% over the bank's prime lending rate. Borrowings under the agreement were unsecured but are guaranteed by the Company's shareholders. The agreement expired on October 30, 2013 and was not renewed.

### 7. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2014:

|                                                                                                                                     |                 |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Note payable to FINRA, due in monthly installments of \$920 including interest at 6.25% per annum through July 2015, unsecured      | \$ 11,450       |
| Note payable to FINRA, due in monthly installments of \$1,725 including interest at 6.25% per annum through October 2014, unsecured | 6,764           |
| Note payable to FINRA, due in monthly installments of \$735 including interest at 6.25% per annum through August 2014, unsecured    | <u>1,412</u>    |
|                                                                                                                                     | 19,626          |
| Less: current portion                                                                                                               | <u>(18,801)</u> |
| Long-term debt                                                                                                                      | <u>\$ 825</u>   |

The annual maturities of long-term debt are as follows:

| <u>Year Ending June 30</u> |                  |
|----------------------------|------------------|
| 2015                       | \$ 18,801        |
| 2016                       | <u>825</u>       |
| Total                      | <u>\$ 19,626</u> |

## Notes to Financial Statements – continued

### 8. SUBORDINATED LOAN AGREEMENTS

The Company has entered into six subordinated loan agreements totaling \$650,000, all of which is payable to officers and directors of the Company. The agreements renew annually and provide for interest at 5% per annum. The Company anticipates that all notes will be renewed for additional one year periods, unless circumstances or Company requirements change. The loan principal and interest are unsecured and subordinated in right of payment to all claims of present and future creditors of the Company.

The subordinated loan agreements have been approved by the Financial Industry Regulatory Authority (FINRA) and are available for computing net capital under the Securities and Exchange Commission's uniform net capital rule (see note 15). To the extent that the borrowings are required for compliance with the minimum net capital requirements, they may not be repaid. During the fiscal year ended June 30, 2014, three subordinated loan agreements totaling \$85,000 were paid off.

The carrying amounts of subordinated loan agreements approximate their fair value because of the short maturity of the instruments.

### 9. INCOME TAXES

Income taxes are provided at statutory rates for the tax effects of transactions reported in the financial statements and consist of taxes which are due currently and for deferred taxes which relate to timing differences for the expense recognition of the allowance for doubtful accounts, officer compensation and depreciation. Income tax expense computed at statutory rates consists of the following:

|                                                              |                  |
|--------------------------------------------------------------|------------------|
| Federal income tax expense                                   | \$ 18,120        |
| State and local income and franchise taxes                   | 8,446            |
| Change in deferred taxes for current year timing differences | <u>(14,000)</u>  |
| Income tax expense                                           | <u>\$ 12,566</u> |

The actual tax expense differs from the “expected” tax expense computed by applying the U.S. corporate rate of 34 percent as follows:

|                                                |                  |
|------------------------------------------------|------------------|
| Computed “expected” federal tax expense        | \$ 20,340        |
| Computed “expected” state tax expense          | 2,991            |
| Computed “expected” state tax effect           | (1,017)          |
| Effect of graduated income tax rates           | (13,401)         |
| Impact of various state tax rates and minimums | 1,310            |
| Impact of state taxes in non-operating states  | <u>2,343</u>     |
| Income tax expense                             | <u>\$ 12,566</u> |

Using the applicable combined Federal and state tax rate of 39%, the deferred tax assets and liabilities are as follows:

|                                                 | <u>Amount</u>    | <u>Rate</u> | <u>Tax</u>        |
|-------------------------------------------------|------------------|-------------|-------------------|
| <u>Short-term deferred income tax asset</u>     |                  |             |                   |
| Allowance for doubtful accounts                 | \$ 25,000        | 39%         | \$ 9,700          |
| Officer compensation timing difference          | <u>26,913</u>    | 39%         | <u>10,500</u>     |
| Total                                           | <u>\$ 51,913</u> | 39%         | <u>\$ 20,200</u>  |
| <u>Long-term deferred income tax liability</u>  |                  |             |                   |
| Tax depreciation in excess of book depreciation | (\$ 16,134)      | 39%         | <u>(\$ 6,300)</u> |

## Notes to Financial Statements – continued

The Financial Accounting Standards Board (FASB) has released accounting standards which require reporting entities to utilize different recognition thresholds and measurement requirements for uncertain tax positions than previously required. The Company has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2010.

### 10. OPERATING LEASE COMMITMENTS

The Company has operating lease obligations for office space at its headquarters location and one branch office. Rent expense totaling \$92,337 was charged to operations during the last fiscal year.

The future minimum payments required by the office lease agreements in effect at June 30, 2014 are as follows:

| <u>Year Ending June 30</u>      | <u>Amount</u>    |
|---------------------------------|------------------|
| 2015                            | \$ 39,495        |
| Thereafter                      | --               |
| Total minimum payments required | <u>\$ 39,495</u> |

### 11. RETIREMENT PLANS

The Company maintains a profit sharing and 401(k) retirement plan. All employees who meet certain age and length of service requirements are eligible to participate in the plan. Participants must work a minimum of 1,000 hours per year and become fully vested after six years of service. The plan allows employees to make elective deferrals and provides for discretionary contributions to be determined by the Board of Directors. A profit sharing contribution totaling \$220,000 was accrued and charged to operations for the year ended June 30, 2014.

### 12. RELATED PARTY TRANSACTIONS

#### a. Officer and director accounts

At June 30, 2014, the amounts due to officers and directors consisted of cash balances in security accounts plus accrued compensation totaling \$2,984,302. Amounts received or paid on these accounts occur in the normal course of business.

#### b. Subordinated borrowings

Six subordinated loan agreements totaling \$650,000 are with officers and directors of the Company (see note 8).

### 13. FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a framework for measuring fair value. 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 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.

**Notes to Financial Statements – continued**

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

*Level 2:* Observable inputs other than quoted prices included in Level 1 which are observable for asset or liability either directly or indirectly. These inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Unobservable inputs for the asset or liability to the extent relevant observable inputs are not available, representing the Company's own assumption about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

**Trading Securities** - Valued at the bid price reported in the active market in which the individual securities are traded.

**Securities sold not yet purchased** - Valued at the ask price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities at fair value as of June 30, 2014:

| <u>Assets</u>                     | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|-----------------------------------|-------------------|----------------|----------------|-------------------|
| Trading securities                | \$ 129,868        | \$ --          | \$ --          | \$ 129,868        |
| Totals                            | <u>\$ 129,868</u> | <u>\$ --</u>   | <u>\$ --</u>   | <u>\$ 129,868</u> |
| <br><u>Liabilities</u>            |                   |                |                |                   |
| Securities sold not yet purchased | \$ 2,775          | \$ --          | \$ --          | \$ 2,775          |
| Totals                            | <u>\$ 2,775</u>   | <u>\$ --</u>   | <u>\$ --</u>   | <u>\$ 2,775</u>   |

14. **RISK MANAGEMENT**

Transactions involving financial instruments involve varying degrees of market, credit and operating risk. The Company monitors its exposure to risk on a daily basis.

**Market Risk**

Market risk is the potential change in value of the financial instrument caused by unfavorable changes in interest rates and equity prices. Management is responsible for reviewing trading positions, exposure limits, profits and losses, and trading strategies. In the normal course of business, the Company purchases, and makes markets in non-investment grade securities. These activities expose the Company to a higher degree of market risk than is associated with investing or trading in investment grade instruments.

**Operating Risk**

Operating risk focuses on the Company's ability to accumulate, process and communicate information necessary to conduct its daily operations. Deficiencies in technology, financial systems and controls and losses attributable to operational problems all pose potential operating risks. In order to mitigate these risks, the Company has established and maintains an internal control environment which incorporates various control mechanisms throughout the organization. In addition, the Company periodically monitors its technological needs and makes changes as deemed appropriate.

**Credit Risk**

The Company's transactions with customers and other broker dealers are recorded on a trade date basis and are collateralized by the underlying securities. The Company's exposure to credit risk associated with nonperformance by customers or contra brokers is impacted by volatile or illiquid trading markets. Should either the customers or other broker dealers fail to perform, the Company may be required to complete the transactions at prevailing market prices. The Company manages credit risk by monitoring net exposure to individual counterparties on a regular basis. Historically, reserve requirements arising from instruments with off-balance-sheet risk have not been material.

Receivables and payables with clearing and other broker dealers are generally collateralized by cash deposits. Additional cash deposits are requested when considered necessary by the clearing organization or contra broker dealer.

Customer transactions are primarily entered in cash accounts. The Company no longer maintains customer margin accounts. Therefore, the Company has no exposure to the credit and market risks associated with margin accounts.

Concentrations of credit risk that arise from financial instruments (whether on or off balance sheet) exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet obligations to be similarly affected by economic, industry or geographic factors.

**Concentration of Credit Risk**

The Company's cash is deposited at one financial institution. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2014 the Company had approximately \$5,118,167 in excess of the FDIC limit.

**15. NET CAPITAL REQUIREMENTS**

As a broker dealer, the Company is subject to the uniform net capital rule adopted and administered by the Securities and Exchange Commission. The rule requires maintenance of minimum net capital and prohibits a broker dealer from engaging in securities transactions at a time when its net capital falls below minimum requirements, as those terms are defined by the rule. Under the alternative method permitted by this rule, net capital shall not be less than the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined. Also, the Company has a minimum requirement based upon the number of securities' markets that the Company maintains. At June 30, 2014 the Company's net capital was \$2,889,197 which was \$2,586,447 in excess of the minimum required.

**16. PENDING LITIGATION**

As part of a short-term financing arrangement entered into during 2013, the shareholders granted a lender a one-year option to purchase their shares of the Company, subject to FINRA approval. Under the terms of the financing agreement, if the lender were to exercise his option and FINRA did not approve the sale within one year of the exercise date, the Company would have to pay the lender \$1,000,000. During the fiscal year ended June 30, 2014, the lender exercised the option, but FINRA has not approved the sale. The lender sued the Company for the \$1,000,000, but the Company has refused to pay due to allegations of a breach of contract by the lender. Due to the uncertainty of the lawsuit outcome, the Company has not recorded any potential liability associated with the agreement.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 28, 2014, the date which the financial statements were available to be issued, and has determined there are no subsequent events to be reported.

**WILSON-DAVIS & COMPANY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2014**

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL**  
**AS OF JUNE 30, 2014**

|                                                                                                 |                     |                        |
|-------------------------------------------------------------------------------------------------|---------------------|------------------------|
| Total stockholders' equity                                                                      |                     | <u>\$ 2,428,498</u>    |
| Deduct: equity not allowable for net capital                                                    |                     | <u>          --</u>    |
| Add: allowance for doubtful accounts                                                            |                     | <u>      25,000</u>    |
| Total stockholders' equity qualified for net capital                                            |                     | <u>      2,453,498</u> |
| Liabilities subordinated to claims of general creditors allowable in computation of net capital |                     | <u>      650,000</u>   |
| Total capital and allowable subordinated liabilities                                            |                     | <u>      3,103,498</u> |
| Deductions and/or charges:                                                                      |                     |                        |
| Total non-allowable assets from Statement of Financial Condition                                | <u>\$ 196,772</u>   |                        |
| Aged fails-to-deliver                                                                           | <u>          12</u> |                        |
| Aged fails-to-receive                                                                           | <u>          26</u> |                        |
| Total deductions and/or charges                                                                 |                     | <u>      196,810</u>   |
| Net capital before haircuts on securities positions                                             |                     | <u>      2,906,688</u> |
| Haircuts on securities:                                                                         |                     |                        |
| Trading and investment securities:                                                              |                     |                        |
| Stocks and warrants                                                                             | <u>      17,491</u> |                        |
| Money market funds                                                                              | <u>          --</u> |                        |
| Undue concentration                                                                             | <u>          --</u> |                        |
| Total haircuts                                                                                  |                     | <u>      17,491</u>    |
| Net capital                                                                                     |                     | <u>\$ 2,889,197</u>    |

See reconciliation to respondent's unaudited computation on page 20.

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE II**  
**RECONCILIATION TO RESPONDENT'S UNAUDITED COMPUTATION**  
**JUNE 30, 2014**

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Net capital per respondent's unaudited computation | \$ 2,889,199        |
| Net adjustments to stockholders' equity            | --                  |
| (Increase) in non-allowable assets                 | (2)                 |
| (Increase) in aged fails to deliver and receive    | --                  |
| (Increase) in securities haircuts                  | <u>    --</u>       |
| Net capital per audit                              | <u>\$ 2,889,197</u> |



**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE IV**  
**RECONCILIATION OF COMPUTATION FOR DETERMINATION**  
**OF RESERVE REQUIREMENTS UNDER RULE 15c3-3**  
**JUNE 30, 2014**

|                                                                        | <u>Debits</u>    | <u>Credits</u>      |
|------------------------------------------------------------------------|------------------|---------------------|
| Totals per respondent's unaudited computation                          | \$ 87,537        | \$ 7,046,831        |
| Increase in unconfirmed securities at transfer<br>in excess of 40 days | --               | --                  |
| (Decrease) in principal shorts to customers                            | --               | --                  |
| Increase (decrease) in customer accounts                               | --               | --                  |
| Increase in customer securities failed to deliver/receive              | --               | --                  |
| (Increase) in 3% of debit items (alternative method)                   | <u>--</u>        | <u>--</u>           |
| Totals per audit                                                       | <u>\$ 87,537</u> | <u>\$ 7,046,831</u> |

Note: The Company computes the determination of reserve requirements under Rule 15c3-3 on a settlement date basis.

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE V**  
**INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3**  
**AS OF JUNE 30, 2014**

State the market valuation and the number of items of:

Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3.

\$ 0

Number of items

0

The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3.

Yes X No



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Wilson-Davis & Company, Inc.  
236 South Main Street  
Salt Lake City, Utah 84101

We have examined Wilson-Davis & Company, Inc.'s statements included in the accompanying Compliance Report, that (a) Wilson-Davis & Company, Inc.'s internal control over compliance was effective during the most recent fiscal year ended June 30, 2014; (b) Wilson-Davis & Company, Inc.'s internal control over compliance was effective as of June 30, 2014; (c) Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2014; and (d) the information used to state that Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) was derived from Wilson-Davis & Company, Inc.'s books and records. Wilson-Davis & Company, Inc.'s management is responsible for establishing and maintaining a system of internal control over compliance that has the objective of providing Wilson-Davis & Company, Inc. with reasonable assurance that non-compliance with 17 C.F.R. §240.15c3-1, 17 C.F.R. § 240.15c3-3, 17 C.F.R. § 240.17a-13, or FINRA Rule 2340 (formerly NASD Rule 2340), Customer Account Statements of The Financial Industry Regulatory Authority, Inc. that requires account statements to be sent to the customers of Wilson-Davis & Company, Inc. will be prevented or detected on a timely basis. Our responsibility is to express an opinion on Wilson-Davis & Company, Inc.'s statements based on our examination.

We conducted our examination in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Wilson-Davis & Company, Inc.'s internal control over compliance was effective as of and during the most recent fiscal year ended June 30, 2014; Wilson-Davis & Company, Inc. complied with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2014; and the information used to assert compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2014 was derived from Wilson-Davis & Company, Inc.'s books and records. Our examination includes testing and evaluating the design and operating effectiveness of internal control over compliance, testing and evaluating Wilson-Davis & Company, Inc.'s compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e), determining whether the information used to assert compliance with 240.15c3-1 and 240.15c3-3(e) was derived from Wilson-Davis & Company, Inc.'s books and records, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, Wilson-Davis & Company, Inc.'s statements referred to above are fairly stated, in all material respects.

*HJ & Associates, LLC*

HJ & Associates, LLC

Salt Lake City, Utah  
August 28, 2014

COMPLIANCE REPORT

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Wilson-Davis & Company, Inc. hereby states to the best of our knowledge and belief:

- a. Wilson-Davis & Company, Inc. has established and maintained internal control over compliance, as defined in Rule 17a-5.
- b. Wilson-Davis & Company, Inc.'s internal control over compliance was effective during the most recent fiscal year ended June 30, 2014.
- c. Wilson-Davis & Company, Inc.'s internal control over compliance was effective as of June 30, 2014.
- d. Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2014.
- e. The information used to state that Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) was derived from Wilson-Davis & Company, Inc.'s books and records.
- f. Statements are sent to customers in accordance with FINRA Rule 2340 (formerly NASD Rule 2340).



Lyle W. Davis  
Secretary/Treasurer  
Wilson-Davis & Company  
August 28, 2014



**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN  
ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors  
Wilson-Davis & Company, Inc.  
236 South Main Street  
Salt Lake City, Utah 84101

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 General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended June 30, 2014, which were agreed to by Wilson-Davis & Company, Inc. (Company) and the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority, Inc. (FINRA), and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). 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 those 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 Form SIPC-7 to check copies noting no differences;
2. Compared the total revenue amounts of the audited Form X-17A-5 for the year ended June 30, 2014 with the amounts reported in Form SIPC-7 for the period from July 1, 2012 to June 30, 2014 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 (if applicable) with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules noting no differences; and
5. Compared the amount of any overpayment applied (if applicable) to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

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

*HJ & Associates, LLC*  
HJ & Associates, LLC

Salt Lake City, Utah  
August 28, 2014

**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION

P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended 6/30/2014

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

**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:

014299 FINRA JUN  
WILSON DAVIS & CO INC  
PO BOX 11587  
SALT LAKE CITY UT 84147-0587

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.

**Lyle W Davis**

|                                                                                          |             |                       |
|------------------------------------------------------------------------------------------|-------------|-----------------------|
|                                                                                          |             | 15,887                |
| 2. A. General Assessment (item 2e from page 2)                                           |             | \$ _____              |
| B. Less payment made with SIPC-6 filed (exclude interest)                                |             | ( _____ 2,012 _____ ) |
| <u>1-24-2014</u>                                                                         |             |                       |
| Date Paid                                                                                |             |                       |
| C. Less prior overpayment applied                                                        |             | ( _____ 2,908 _____ ) |
| D. Assessment balance due or (overpayment)                                               |             | _____                 |
| 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)            |             | \$ _____ 10,967 _____ |
| G. PAID WITH THIS FORM:                                                                  |             |                       |
| Check enclosed, payable to SIPC                                                          |             |                       |
| Total (must be same as F above)                                                          | \$          | <u>10,967</u>         |
| H. Overpayment carried forward                                                           | \$( _____ ) |                       |

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

None

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.

**Wilson-Davis & Co., Inc.**

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the 26 day of August, 2014

**Secretary/Treasurer**

(Title)

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 7/1/2013  
and ending 6/30/2014

| Item No.                                                                                                                                                                                                                                                                                                                                                          | Eliminate cents     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)                                                                                                                                                                                                                                                                                                      | \$ <u>6,380,974</u> |
| 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.                                                                                                                                                                                                                                                                                                              | _____               |
| 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.<br>(See Instruction C):                                                                                                                                                                                                                                                   | _____               |
| (Deductions in excess of \$100,000 require documentation)                                                                                                                                                                                                                                                                                                         | _____               |
| (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.                                                                                                                                                                                            | \$ <u>25,945</u>    |
| (ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).                                                                                                                                                                                                                                                             | \$ _____            |
| Enter the greater of line (i) or (ii)                                                                                                                                                                                                                                                                                                                             | _____               |
| Total deductions                                                                                                                                                                                                                                                                                                                                                  | <u>25,945</u>       |
| 2d. SIPC Net Operating Revenues                                                                                                                                                                                                                                                                                                                                   | \$ <u>6,355,029</u> |
| 2e. General Assessment @ .0025                                                                                                                                                                                                                                                                                                                                    | \$ <u>15,887</u>    |

(to page 1, line 2.A.)

**50 West Broadway, Suite 600, Salt Lake City, Utah 84101**  
**Telephone: 801-328-4408**  
**Fax: 801-328-4461**