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

SEC FILE NUMBER  
 8-65277

**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 January 01, 2013 ENDING December 31, 2013

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Chardan Capital Markets, LLC  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
 FIRM ID. NO.

17 State Street, Suite 1600  
 (No. and Street)  
New York New York 10004  
 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Steven Urbach 646-465-9003  
 (Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Lilling & Company, LLP  
 (Name - If Individual, State Last, First, Middle Name)  
10 Cutter Mill Road Great Neck NY  
 (Address) (City) (State)

SECURITIES AND EXCHANGE COMMISSION  
 11021  
 RECEIVED  
 JUN -4 2014  
 DIVISION OF TRADING & MARKETS

- 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 exemption. See section 240,17a-5(e)(2).

9/2/14

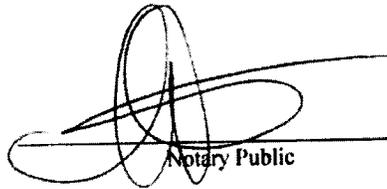
OATH OR AFFIRMATION

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

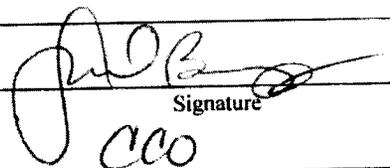
Chardan Capital Markets, LLC as of

December 31, 2013, 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:

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

  
\_\_\_\_\_  
Notary Public



  
\_\_\_\_\_  
Signature  
CCO  
\_\_\_\_\_  
Title

This Report \*\* contains (check all applicable boxes):

- (a) Facing Page
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss)
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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.
- (o) Independent Auditor's Report on Internal Control.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# Lilling & Company LLP

Certified Public Accountants

## ***INDEPENDENT AUDITOR'S REPORT***

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To the Members  
Chardan Capital Markets LLC  
New York, New York

We have audited the accompanying financial statement of Chardan Capital Markets LLC, (the Company), which comprise the statement of financial condition as of December 31, 2013, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the statement of financial condition based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statement of financial condition in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Chardan Capital Markets LLC as of December 31, 2013, in accordance with accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Silling + Company". The signature is written in black ink and is positioned above the printed text of the firm's name.

**CERTIFIED PUBLIC ACCOUNTANTS**  
**Great Neck, New York**  
**February 26, 2014**

CHARDAN CAPITAL MARKETS LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2013

**ASSETS**

Cash	\$ 343,314
Due from broker	1,300,169
Securities owned	743,663
Loan receivable, related parties	169,189
Property and equipment, net	51,103
Other assets	<u>253,463</u>
	<u>\$ 2,860,901</u>

**LIABILITIES AND MEMBER'S EQUITY**

**Liabilities**

Accrued expenses and accounts payable	\$ 873,786
Securities sold, not yet purchased	<u>1,835</u>
	875,621

**Member's equity**

	<u>1,985,280</u>
	<u>\$ 2,860,901</u>

See notes to financial statements

# CHARDAN CAPITAL MARKETS LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 1. ORGANIZATION AND NATURE OF BUSINESS

Chardan Capital Markets, LLC (the "Company") is organized to be active in various aspects of the securities industry and is registered to be a broker-dealer with the Financial Industry Regulatory Authority and the Securities and Exchange Commission. The Company is a non-clearing broker and does not handle any customer funds or securities. The Company is 100% owned by Chardan Securities LLC and is located in New York City.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, effective for periods ending after September 15, 2009. This Statement establishes the FASB Accounting Standards Codification ("ASC") as the single source of authoritative United States generally accepted accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC and these financial statements are referenced accordingly.

#### Property and Equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of assets is provided using the straight-line method for financial statement reporting purposes over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the asset.

#### Income Taxes

The Company is organized as a limited liability company and is recognized as a partnership for income tax purposes. No provision has been made for federal and state income taxes, since these taxes are the personal responsibility of the members. The Company is subject to New York City Unincorporated Business Tax. No provision for New York City Unincorporated Business Tax was necessary for the year ended December 31, 2013.

## CHARDAN CAPITAL MARKETS LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

In accordance with ASC 740, *Income Taxes*, the Company is required to disclose unrecognized tax benefits resulting from uncertain tax positions. At December 31, 2013, the Company did not have any unrecognized tax benefits or liabilities. The Company operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

#### Securities Transactions and Commissions

Securities transactions are recorded on a trade date basis. Commissions, trading activity and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Securities owned and securities sold, not yet purchased, are recorded at current market value. Securities not readily marketable are valued at fair value as determined by management, which approximates estimated realizable value. Securities not readily marketable include investment securities that cannot be offered or sold because of restrictions or conditions applicable to the securities or to the Company.

#### Investment Banking and Other Fee Income

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-acquisition and financial restructuring advisory services. Investment banking fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

#### Significant Credit Risk and Estimates

The Company's clearing and execution agreement provides that its clearing firms, Apex Clearing Corp. ("Apex") and the Industrial and Commercial Bank of China Financial Services, LLC ("ICBC"), credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

In accordance with industry practice, Apex and ICBC record customer transactions on a settlement date basis, which is generally three business days after the trade date. The financial statements include appropriate adjustments to the trade date basis.

## CHARDAN CAPITAL MARKETS LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

Apex and ICBC are therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any losses incurred by Apex and ICBC is charged back to the Company.

The Company, in conjunction with Apex and ICBC, control off-balance sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. Apex and ICBC establish margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

The Company clears certain of its proprietary and customer transactions through Apex and ICBC on a fully disclosed basis. The amount receivable to the clearing broker relates to the aforementioned transactions.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Valuation of Investments

All investments in securities are recorded at their estimated fair value, as described in note 3.

### 3. FAIR VALUE

#### Fair Value Hierarchy

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a hierarchy of fair value inputs. 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:

## CHARDAN CAPITAL MARKETS LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3. Unobservable inputs for the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent and verifiable.

The inputs used by the Company in estimating the value of Level 3 investments include the original transaction price and any adjustments needed to reflect fair market value as additional information becomes available. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Company in the absence of market information.

The Company reviews its valuation policies monthly or more frequently as needed to determine whether the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted as necessary, based on current market conditions and other third party information.

## CHARDAN CAPITAL MARKETS LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

A description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis are as follows.

#### Exchange-Traded Equity Securities

Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, Valuation adjustments are not applied, and they are categorized in Level 1 of the fair value hierarchy; otherwise, they are categorized in Level 2 of the fair value hierarchy.

#### Private Debt Securities

The transaction price, excluding transaction costs, is typically the Company's best estimate of fair value at inception. When evidence supports a change in carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment's principal market under current market conditions. Ongoing reviews by the Company's management are based on an assessment of trends in the performance and credit profile of each underlying investment from the inception date through the most recent valuation date. The Company also estimates a liquidity discount in valuing the investments. These investments in private operating companies are included in Level 3 of the fair value hierarchy.

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 December 31, 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Equity securities – small cap	\$ 583,499	\$ 22,664	\$ -	\$ 606,163
Private debt	<u>-</u>	<u>-</u>	<u>137,500</u>	<u>137,500</u>
<b>Total</b>	<u>\$ 583,499</u>	<u>\$ 22,664</u>	<u>\$ 137,500</u>	<u>\$ 743,663</u>
<b>Liabilities</b>				
Equity securities – small cap	<u>\$ -</u>	<u>\$ 1,835</u>	<u>\$ -</u>	<u>\$ 1,835</u>

CHARDAN CAPITAL MARKETS LLC

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

There were no transfers between Level 1 and Level 2 during the year.

Level 3 Change in Financial Assets and Liabilities

	<u>Beginning Balance</u>	<u>Unrealized Losses Related to Assets Held at Year End</u>	<u>Purchases</u>	<u>Ending Balance</u>
Assets				
Private debt	\$ <u>          </u> -	\$ <u>(100,000)</u>	\$ <u>237,500</u>	\$ <u>137,500</u>

Quantitative Information About and Sensitivity of Significant Unobservable Inputs Used in Recurring Level 3 Fair Value Measurements at December 31, 2013.

The following table provides additional information about the valuation techniques, significant unobservable inputs, and qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs used for investments categorized in Level 3 of the fair value hierarchy as of December 31, 2013:

<u>Assets</u>	<u>Fair Value at December 31, 2013</u>	<u>Valuation Techniques</u>	<u>Significant Unobservable Input(s): Sensitivity of the Fair Value to Changes in the Unobservable Inputs</u>	<u>Range of Inputs (Weighted Average)</u>
Investments in private debt	<u>\$137,500</u>	Cost less liquidity discount	Liquidity discount: Significant increase(decrease) in the unobservable input in isolation would result in a significantly lower (higher) fair value measurement	0% - 50% (42%)

CHARDAN CAPITAL MARKETS LLC

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2013:

Computer equipment and software	\$ 422,197
Furniture and Fixtures	189,786
Leasehold improvement	<u>106,308</u>
	718,291
Less accumulated depreciation and amortization	<u>667,188</u>
	<u>\$ 51,103</u>

Depreciation and amortization expense was \$53,551 for the year ended December 31, 2013.

5. SUBORDINATED LIABILITIES

In 2013, the Company's repaid all of the subordinated notes and related interest expense of approximately \$233,000. The subordinated notes were approved by FINRA during 2013.

6. COMMITMENT AND CONTINGENCIES

Lease

The Company entered into a lease for office space on October 22, 2013. The lease expires on June 30, 2024 and calls for monthly payments and specified escalations. Included in operations for 2013 is rent expense of approximately \$506,000.

At December 31, 2013, the future minimum annual rental commitments under the lease assignment were:

Year Ending December 31,	
2014	\$ 337,200
2015	337,200
2016	337,200
2017	337,200
2018	337,200
Thereafter	<u>2,002,968</u>
Total	<u>\$3,688,968</u>

CHARDAN CAPITAL MARKETS LLC

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Letter of Credit

The Company was issued letter of credit of approximately \$165,600 for the rent security deposit required for the office lease. The letter of credit is secured by a money market account, which is restricted and is included in other assets.

Litigation

The Company is subject to various claims and arbitration in the normal course of business. The Company believes that the resolution of these matters will not have a material impact on these financial statements.

7. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3

The Company is exempt for the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(ii). As an introducing broker, the Company clears customer transactions on a fully disclosed basis with Apex and ICBC.

Apex and ICBC carry all of the accounts of such customers and maintains and preserves such books and records.

8. RELATED PARTY TRANSACTIONS

As of December 31, 2013, loans receivable from related parties consists of the following:

	<u>Amount</u>	<u>Maturity</u>	<u>Interest</u>
Loan to employees	\$ 140,511	Due on demand	Non-interest bearing
Loans to related party under common ownership	<u>28,678</u>	Due on demand	Non-interest bearing
	<u>\$ 169,189</u>		

## CHARDAN CAPITAL MARKETS LLC

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

#### 9. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.) At December 31, 2013, the Company had net capital of \$1,985,280, which was \$960,242 in excess of its required net capital of \$100,000. The Company had a percentage of aggregate indebtedness to net capital of 82% as of December 31, 2013.

#### 10. EMPLOYEE BENEFIT PLAN

The Company sponsors a discretionary match 401(k) plan, which covers substantially all employees. Employee contributions to the plan are at the discretion of eligible employees. The Company match to the plan was approximately \$32,931 for the year ended December 31, 2013.

#### 11. SUBSEQUENT EVENTS

The Company has evaluated and noted no events or transactions that have occurred after December 31, 2013 that would require recognition or disclosure in the financial statements.

**SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 of the  
SECURITIES EXCHANGE ACT OF 1934**

**AS OF DECEMBER 31, 2013**

# Lilling & Company LLP

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER- DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Members  
Chardan Capital Markets, LLC  
New York, New York

In planning and performing our audit of the financial statements of Chardan Capital Markets, LLC (the Company), as of and for the year ended December 31, 2013 in accordance with auditing standards generally accepted in the United States, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial

statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

*A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. However, we identified certain deficiencies in internal control and communicated them in writing to management and those charged with governance on February 26, 2014.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the Members, management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



**CERTIFIED PUBLIC ACCOUNTANTS**  
**Great Neck, New York**  
**February 26, 2014**