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

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SEC  
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Section

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

FEB 24 2014

SEC FILE NUMBER
8-65688

Washington DC

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/13 AND ENDING 12/31/13  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: VCAP Securities, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

437 Madison Avenue, 39th Floor

(No. and Street)

New York

NY

10022

(City)

(State)

(Zip Code)

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

Brent Hippert

443-541-8400

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

StarkSchenkein, LLP

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

3600 South Yosemite Street, Suite 600 Denver

CO

40243

(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)

SEC 1410 (06-02)

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

3/14/14

OATH OR AFFIRMATION

I, Brent Hippert, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of VCAP Securities LLC 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:

none

[Signature]
Signature
[Title]
Title

[Signature]
Notary Public

COURTNEY TAYLOR SANDERS
Notary Public
State of Maryland, Baltimore County
My Commission Expires December 23, 2017

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).

VCAP SECURITIES, LLC  
REPORT PURSUANT TO RULE 17A-5  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2013



**StarkSchenkein, LLP**

**SEC  
Mail Processing  
Section**

**FEB 24 2014**

**Washington DC  
404**

**VCAP SECURITIES, LLC**

**REPORT PURSUANT TO RULE 17A-5**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**VCAP SECURITIES, LLC  
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# Stark Schenkein, LLP

BUSINESS ADVISORS & CPAs

## Independent Auditor's Report

To the Member of  
VCAP Securities, LLC

### Report on the Financial Statements

We have audited the accompanying statement of financial condition of VCAP Securities, LLC (the Company) as of December 31, 2013, and the related statements of operations, changes in member's 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.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of VCAP Securities, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

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



Denver, Colorado  
February 18, 2014

**VCAP Securities, LLC**  
**Statement of Financial Condition**  
**December 31, 2013**

**ASSETS**

Current assets	
Cash	\$ 693,253
	<u>\$ 693,253</u>

**LIABILITIES AND MEMBER'S EQUITY**

Current liabilities	
Accounts payable	\$ 30,182
Related party payable	<u>506,300</u>
Total Liabilities	536,482
Member's Equity	<u>156,771</u>
	<u>\$ 693,253</u>

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

**VCAP Securities, LLC**  
**Statement of Operations**  
**For The Year Ended December 31, 2013**

<b>REVENUES</b>	
Agent fees	<u>\$ 3,496,208</u>
<b>EXPENSES</b>	
Services agreement - Parent	1,850,473
Rent - Parent	180,000
Commissions	435,612
Regulatory assessment fees	22,868
Professional fees	1,055
Travel and entertainment	1,395
Insurance	783
Custodial fees	36,390
Other expenses	1,647
Total expenses	<u>2,530,223</u>
<b>Net income</b>	<u><u>\$ 965,985</u></u>

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

**VCAP Securities, LLC**  
**Statement of Changes in Member's Equity**  
**For The Year Ended December 31, 2013**

Balance January 1, 2013	\$ 610,786
Distributions	(1,420,000)
Net income	<u>965,985</u>
Balance December 31, 2013	<u><u>\$ 156,771</u></u>

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

**VCAP Securities, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2013**

**OPERATING ACTIVITIES**

Net income	\$ 965,985
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in accounts receivable	422,500
(Decrease) in accounts payable	(388,909)
Increase in related party payable	506,300
Net cash provided by operating activities	1,505,876

**INVESTING ACTIVITIES**

Net cash provided by investing activities	-
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**FINANCING ACTIVITIES**

Distributions	(1,420,000)
Net cash (used in) financing activities	(1,420,000)

**NET INCREASE IN CASH** 85,876

**CASH AT BEGINNING OF YEAR** 607,377

**CASH AT END OF YEAR** \$ 693,253

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Cash paid for:	
Interest	\$ -
Income taxes	\$ -

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

**VCAP SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1. Organization**

**Background**

VCAP Securities, LLC (formerly known as Burke Capital Market, LLC) is a Georgia Limited Liability Company operating facilities in New York, New York. VCAP Securities, LLC (the "Company") is wholly owned by BD Partner Holdings, LLC (the "Member"). In May 2009, BD Partners Holdings acquired 100% of the equity interest by Burke Capital Group, LLC in Burke Capital Market, LLC and changed the name of Burke Capital Market, LLC to VCAP Securities, LLC.

**Nature of Operations**

VCAP Securities, LLC is an investment banking firm and broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operating activity focuses on earning fixed income trading on an agency basis, private placement of securities, and introduction of private securities transactions.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America and in the format prescribed by Rule 17a-5 under the Securities Exchange Act of 1934 for brokers and dealers in securities.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers cash on hand, deposits in banks, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**VCAP SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 2. Summary of Significant Accounting Policies Continued**

**Securities Transactions**

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. The commission income and expenses derived from customers' accounts are reported on a trade date basis.

**Revenue Recognition**

Agent fees are recognized at the time the agent fees are earned by the Company under the terms of the contracts entered into with the issuer and are generally not recorded until payment is received.

**Income Taxes**

The Company is a limited liability company ("LLC") that is taxed as a partnership for federal and state income tax purposes. Generally, the taxable income or losses of a partnership is reported by the individual owners of the partnership and the owners are responsible for income tax liabilities or benefits associated with the taxable activities of the partnership. Accordingly, the Company's financial statements do not reflect any provisions for federal or state income taxes.

**Use of Estimates**

The preparation of the accompanying financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

**Note 3. Concentration of Credit Risk**

The Company's insured cash balances are subject to the general deposit rules of the FDIC which temporarily provides for increased coverage from \$100,000 to \$250,000 per customer per institution.

Revenue is currently concentrated to the liquidations of Collateralized Debt Obligations (CDOs). A specialized and limited market exists for these securities. This is currently concentrated in large domestic and international investment banks. This business has a limited life and the company will be required to develop additional revenue sources during 2014 and 2015.

**VCAP SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 4. Related Party Transactions**

The Company has entered into a shared support arrangement and rental agreement with a related party for its facilities in New York, New York. For the year ended December 31, 2013, total fees incurred for rent, administrative services, technology services, and personnel usage were \$2,030,473 and the balance due at December 31, 2013 was \$506,300.

**Note 5. Capital Requirements**

As a registered broker-dealer, the Company is subject to the Securities and Exchange Commission's "Uniform Net Capital Rule" (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2013, the Company had net capital of \$156,771 which was \$56,771 in excess of its required net capital of \$100,000. The Company's ratio of aggregated indebtedness to net capital was 342%.

**Note 6. Subsequent Events**

Management of the Company has evaluated all subsequent transactions through the date the financial statements were available to be issued. It has been determined that there are no subsequent events that require disclosure.

**VCAP Securities, LLC**  
**Schedule I - Computation Of Net Capital Under Rule 15c3-1**  
**Of The Securities and Exchange Commission**  
**December 31, 2013**

<b>Member's equity</b>	\$	156,771
Less: Total non-allowable assets		-
<b>Net Capital before haircuts on securities</b>		156,771
Haircuts on securities		-
<b>Net Capital</b>	<b>\$</b>	<b>156,771</b>
 <b>Computation of basic net capital requirement</b>		
Minimum net capital required (greater of 6 2/3% of aggregate indebtedness or \$100,000)		\$ 100,000
Excess net capital	<b>\$</b>	<b>56,771</b>
 <b>Computation of aggregate indebtedness</b>		
Total aggregate indebtedness - specified liabilities		\$ 536,482
Total aggregate indebtedness		\$ 536,482
Ratio aggregate indebtedness to net capital		342.21%
 Net Capital as reported on the Company's FOCUS Report Part IIA (unaudited) as of December 31, 2013:		
	<b>\$</b>	<b>156,771</b>

There were no differences between the above calculation and the Company's calculation of net capital as reflected on the unaudited Form 17a-5, Part IIA.

**VCAP Securities, LLC**  
**Schedule III - Computation For Determination of Reserve Requirements**  
**And Information Relating to the Possession and Control Requirements**  
**Under Rule 15c3-3**  
**December 31, 2013**

**Statement of Exemption from Compliance Under Rule 15c3-3**

Company does not carry security accounts for customers or perform custodial functions relating to customer securities. The Company was in compliance with the conditions of the exemption as of December 31, 2013.



# Stark Schenkein, LLP

BUSINESS ADVISORS & CPAs

## Independent Auditor's Report on Internal Control Required by Rule 17a-5 of the Securities and Exchange Commission

To the Member of  
VCAP Securities, LLC

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

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (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. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

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 Board of Directors, management, the SEC, Financial Industry Regulatory Authority (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.



Denver, Colorado  
February 18, 2014



# Stark Schenkein, LLP

BUSINESS ADVISORS & CPAs

## Independent Accountant's Report on the SIPC Annual Assessment Required Under SEC Rule 17a-5 (e) (4)

To the Member of  
VCAP Securities, LLC

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2013, which were agreed to by VCAP Securities, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating VCAP Securities, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). VCAP Securities, LLC's management is responsible for VCAP Securities, LLC'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 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 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 and working papers supporting the adjustments 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.

Denver, Colorado  
February 18, 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 December 31, 2013  
(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:

8-65688 FINRA. DEC

VCAP Securities, LLC  
437 Madison Ave, 39th Floor  
NY, NY 10022

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.

Brent Hippert 443-541-8400

WORKING COPY

2. A. General Assessment (item 2e from page 2)	\$ 8,741
B. Less payment made with SIPC-6 filed (exclude interest) July 29, 2013 Date Paid	( 4,678 )
C. Less prior overpayment applied	( )
D. Assessment balance due or (overpayment)	4,063
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)	\$ 4,063
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$ 4,063
H. Overpayment carried forward	\$( )

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

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

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

VCAP Securities LLC

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the 25 day of February, 20 14.

CFO

(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 January 1, 2013  
and ending December 31, 2013  
Eliminate cents

Item No.

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

\$ 3,496,208

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.  
(See Instruction C):

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. \$ \_\_\_\_\_

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

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

Total deductions

2d. SIPC Net Operating Revenues

\$ 3,496,208

2e. General Assessment @ .0025

\$ 8,741

(to page 1, line 2.A.)