

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

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

SEC FILE NUMBER  
8- 68495

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: 1851 Securities, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO.

One American Row

(No. and Street)

Hartford

Connecticut

06102-5056

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Gary C. Tebbetts 518 479-8353

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

CohnReznick, LLP

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

76 Batterson Park Road Farmington,

CT.

06032

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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



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KW  
3/8/14

**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)

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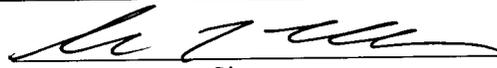
## OATH OR AFFIRMATION

I, Gary C. Tebbetts, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of 1851 Securities, Inc, 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:

\_\_\_\_\_

\_\_\_\_\_

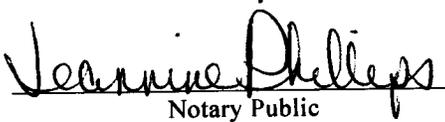
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Signature

Chief Financial Officer

Title



Notary Public

My Commission Expires: April 30, 2016

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).

# COHN REZNICK

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**1851 Securities, Inc.**  
**Table of Contents**

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	<b>Page</b>
Independent Auditor's Report.....	1-2
Statement of Financial Condition.....	3
Statement of Operations.....	4
Statement of Stockholder's Equity.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7-10
Schedule I - Computation of Net Capital and Aggregate Indebtedness under Rule 15c3-1 of the Securities Exchange Act of 1934.....	11

## Independent Auditor's Report

Board of Directors  
1851 Securities, Inc.

We have audited the accompanying financial statements of 1851 Securities, Inc. (the Company), which comprise the statement of financial condition as of December 31, 2013, and the related statements of operations, stockholder'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 from 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 1851 Securities, Inc. 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.

*Emphasis of Matter*

As described in Note 2, the Company has significant transactions with its affiliates, Phoenix Life Insurance Company, PHL Variable Insurance Company and Phoenix Life and Annuity Company. It is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedule I is presented for the purpose 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 Schedule I 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 Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Farmington, Connecticut  
February 24, 2014

**1851 Securities, Inc.**  
**Statement of Financial Condition as of December 31, 2013**

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**Assets:**

Cash and cash equivalents	\$ 1,500,011
12b-1 fees receivable from affiliate	918,533
Commission allowance receivable from affiliate	166,398
Prepaid regulatory expenses	29,200
<b>Total assets</b>	<b><u>\$ 2,614,142</u></b>

**Liabilities:**

Commission payable to third parties	\$ 166,305
Payable to affiliate	947,827
<b>Total liabilities</b>	<b><u>1,114,132</u></b>

**Stockholder's Equity:**

Common stock, par value \$0.01 (5,000 shares authorized, 100 issued and outstanding)	1
Additional paid-in capital	6,159,038
Accumulated deficit	(4,659,029)
<b>Total stockholder's equity</b>	<b><u>1,500,010</u></b>

<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 2,614,142</u></b>
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The accompanying notes are an integral part of these financial statements.

**1851 Securities, Inc.**  
**Statement of Operations for the Year Ended December 31, 2013**

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<b>Revenues:</b>	
12b-1 fees	\$ 3,728,895
Commission allowance	9,384,877
<b>Total revenues</b>	<b><u>13,113,772</u></b>
<b>Expenses:</b>	
12b-1 expense	3,728,895
Commission expense	9,384,877
Salary and other compensation	1,350,583
Regulatory fees	90,408
Other operating expenses	92,181
<b>Total expenses</b>	<b><u>14,646,944</u></b>
<b>Loss before income taxes</b>	<b>(1,533,172)</b>
Income tax benefit	<u>          --</u>
<b>Net loss</b>	<b><u>\$ (1,533,172)</u></b>

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

**1851 Securities, Inc.**  
**Statement of Stockholder's Equity for the Year Ended December 31, 2013**

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<b>Common Stock:</b>	
Balance, beginning of year	\$ 1
Common shares issued	--
<b>Balance, end of year</b>	<b>\$ 1</b>
<b>Additional Paid-in Capital:</b>	
Balance, beginning of year	\$ 4,625,468
Capital contribution received from parent	1,533,570
<b>Balance, end of year</b>	<b>\$ 6,159,038</b>
<b>Accumulated Deficit:</b>	
Balance, beginning of year	(3,125,857)
Net loss	(1,533,172)
<b>Balance, end of year</b>	<b>\$ (4,659,029)</b>
<b>Total Stockholder's Equity:</b>	
Balance, beginning of year	\$ 1,499,610
Change in stockholder's equity	400
<b>Balance, end of year</b>	<b>\$ 1,500,010</b>

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

**1851 Securities, Inc.**  
**Statement of Cash Flows for the Year Ended December 31, 2013**

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**Cash Flows from Operating Activities:**

Net loss \$ (1,533,172)

**Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:**

Decrease in 12b-1 fees receivable	15,167
Increase in commission allowance receivable from affiliate	(88,240)
Increase in prepaid regulatory expenses	(774)
Increase in commission payable to third parties	88,892
Decrease in taxes payable from affiliate	(400)
Decrease in payable to affiliate	(15,043)
Cash used in operating activities	<u>(1,533,570)</u>

**Cash Flows from Financing Activities:**

Capital contribution from parent	<u>1,533,570</u>
Cash provided by financing activities	<u>1,533,570</u>

**Net increase in cash and cash equivalents**

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**Cash and cash equivalents, beginning of year**

1,500,011

**Cash and cash equivalents, end of year**

\$ 1,500,011

During the year ended December 31, 2013, the Company received no cash contributions but received \$1,533,570 in non-cash contributions by PM Holdings, Inc. related to operating expenses paid on 1851 Securities Inc.'s behalf by PHL Variable Insurance Company in accordance with their expense agreement (see Note 2 for additional information on transactions with affiliates).

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

**1. Nature of Business and Summary of Significant Accounting Policies**

**Description of Business**

1851 Securities, Inc. ("1851" or the "Company") is a Delaware company organized on January 6, 2010 and licensed as a securities broker and dealer with the Financial Industry Regulatory Authority ("FINRA") on September 7, 2010. 1851 is a wholly-owned subsidiary of PM Holdings, Inc ("PM Holdings"). PM Holdings is a wholly-owned subsidiary of Phoenix Life Insurance Company ("PLIC"). PLIC is a wholly-owned subsidiary of The Phoenix Companies, Inc. ("Phoenix"), a publicly traded company. 1851 is the principal underwriter of variable life insurance policies and variable annuity contracts issued by the following affiliates: PLIC, PHL Variable Insurance Company ("PHL Variable") and Phoenix Life and Annuity Company ("PLAC"). It is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties. 1851 is authorized to do business in 49 states, the exception being Tennessee, as well as the District of Columbia.

1851 earns commission allowance based on contractual rates when the variable life or annuity product premium is funded and has no obligation past this milestone to perform services.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The single-year presentation is in accordance with Securities and Exchange Commission ("SEC") Rule 17a-5.

**Cash**

Cash and cash equivalents consist of short-term deposits with an initial term of less than three months. At December 31, 2013, the Company maintains its cash balance in a single account with a highly rated depository institution.

**Income Taxes**

The Company is included in the consolidated federal income tax return and the combined Connecticut corporation business tax return filed by Phoenix. The Company records income tax expense or benefit in accordance with the Separate Return method, under which income taxes are computed as if the Company filed on a standalone basis. Settlement of the income tax expense or benefit is governed by the expense agreement between 1851 and PHL Variable. To the extent that actual cash settlement for a given year differs from the amount computed for the year under the Separate Return method, the difference is recorded as either a contribution to capital or as a distribution.

Deferred tax assets and/or liabilities are determined in accordance with the Separate Return method by multiplying the differences between the financial reporting basis and tax reporting basis of assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. The effect on deferred taxes of a change in tax rate is recognized in income in the period that includes the enactment date of the change.

**Revenue Recognition**

12b-1 revenue is recorded as income during the period that the income is earned and is based on the daily net assets of the underlying investments funding the variable life and annuity business of 1851's affiliates. 1851 also receives compensation from affiliates for commission expenses incurred by 1851. Commission allowances are recognized at the same time the expense is incurred on the books of 1851.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. Transactions with Affiliates**

1851 has an expense agreement dated August 15, 2010 as amended, as of January 1, 2012, with an affiliate, PHL Variable. Under the terms of the expense sharing agreement, PHL Variable agreed to pay all operating expenses on the Company's behalf. These operating expenses include general and administrative expenses such as state filing and registration fees, licensing fees, FINRA membership and assessment fees, Central Registration Depository account replenishment, statutory representation costs, corporate liability insurance coverage, miscellaneous costs and corporate taxes (i.e., income, franchise, privilege). 1851 is not obligated, directly or indirectly, to reimburse or otherwise compensate any party for paying expenses related to the conduct of 1851's business. 1851 incurred \$1,533,172 in operating expenses for the year ended December 31, 2013, all of which were paid on 1851's behalf by PHL Variable in accordance with the expense agreement. Payment of these expenses by PHL Variable is reflected as a capital contribution from 1851's parent company, PM Holdings, within additional paid-in capital. Such expenses may not represent the amount that 1851 would report if such relationship would not exist.

Per the August 15, 2010 expense agreement as amended, as of January 1, 2012, 1851 shall also pay an administrative expense to PHL Variable in an amount equal to the revenues of the 1851. To the extent that 1851's expenses exceeded revenues, 1851 has no obligation to reimburse PHL Variable for the difference. 1851 incurred administrative expenses of \$3,728,895 in 12b-1 fees and \$9,384,877 in commission expense to third parties during the year ended December 31, 2013.

Saybrus Equity Services, Inc. ("Saybrus"), a majority-owned subsidiary of Phoenix, acts as the exclusive distributor for variable and fixed insurance products issued by PHL Variable with retail firms and insurance agencies. As these wholesaling services include variable products, 1851 is a party to this agreement. Commission allowance and commission expense incurred for Saybrus for the year ended December 31, 2013 was \$7,534.

1851 performs underwriting services for PLIC, PHL Variable and PLAC, all wholly-owned subsidiaries of Phoenix. Commission income earned from these affiliates during the year ended December 31, 2013 was \$9,384,877.

The Company has no employees.

## **3. Regulatory Matters**

### **Net Capital Requirement**

1851 is classified as a 'limited purpose' securities broker and dealer by FINRA. As such the firm is subject to the SEC Uniform Net Capital Rule, which requires maintenance of minimum net capital (as defined in SEC Rule 15c3-1 ("Net Capital")) and certain debt to capital ratios. Due to its limited securities activities, the rule requires the Company to maintain minimum Net Capital equal to the greater of either \$5,000 or 6 2/3% of the Company's aggregate indebtedness as defined under Rule 15c3-1. The Company's Net Capital exceeded this minimum throughout 2013.

**1851 Securities, Inc.**  
**Notes to Financial Statements**

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At December 31, 2013, 1851 had net capital of \$385,879 and a Net Capital requirement of \$74,276 as defined by Rule 15c3-1. Rule 15c3-1 also requires the Company's ratio of aggregate indebtedness to Net Capital not to exceed 15 to 1. At December 31, 2013, 1851 had an aggregate indebtedness to Net Capital ratio of 2.89 to 1.

**Exemption from Reserve Requirements**

1851 does not hold customer securities and does not perform custodial functions relating to customer accounts; therefore, the Company is exempt pursuant to Rule 15c3-3 subparagraph (k)(1) from the possession and control requirements and the requirement to maintain reserves for the exclusive benefit of its customers. The Company's capital exceeded this minimum throughout 2013.

1851 deals exclusively with the sale of insurance products and variable annuities and as such has filed an exclusion from membership in the Security Investors Protection Corporation ("SIPC") under section 78ccc(a)(2)(A)(ii) of the Securities Investors Protection Act of 1970 ("SIPA"). As of December 31, 2013, 1851 was in compliance with the conditions of this exemption.

**4. Commitments and Contingencies**

1851 may from time to time become involved in various legal proceedings, litigation and threatened litigation arising in the ordinary course of business. As of the date of these financial statements, there are no legal proceedings which individually or in aggregate have a material effect on the financial position, results of operations or cash flows of the Company.

**5. Income Taxes**

The components of the state income tax expense for the year ended December 31 were as follows:

	<u>2013</u>
Current	\$ --
Deferred	--
<b>Total income tax expense</b>	<b>\$ --</b>

The following presents a reconciliation of income tax benefit computed at the federal statutory rate to the income tax expense as reported:

	<u>2013</u>
Statutory rate	35.0%
Valuation allowance	(35.0%)
Other	(0.0%)
<b>Effective income tax rate</b>	<b>0.0%</b>

**1851 Securities, Inc.**  
**Notes to Financial Statements**

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The following summarizes the federal deferred income taxes for the year ended December 31:

	<u>2013</u>
<b>Deferred Tax Assets</b>	
Federal net operating loss carryforward	\$ 1,630,660
State net operating loss carryforward	233,323
Gross deferred tax assets	1,863,983
Less valuation allowance	(1,863,983)
<b>Net deferred tax asset</b>	<u>\$ --</u>

At December 31, 2013, 1851 has federal net operating loss carryforwards of \$4,659,027 that are scheduled to expire between 2030 and 2033 and state net operating loss carryforwards of \$3,110,973 that are scheduled to expire between 2030 and 2032.

Deferred income taxes arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating its ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results adjusted for the results of discontinued operations and incorporate assumptions about the amount of future state, federal, and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income (loss).

Based on this assessment, the Company has determined that it is not likely that the Company will realize such deferred tax assets and, therefore, a full valuation allowance has been established related to the \$1,863,983 of gross deferred tax assets at December 31, 2013. This is an increase of \$644,336 from the year ended December 31, 2012.

As of December 31, 2013, 1851 does not have an asset for unrecognized tax benefits recorded in its financial statements. 1851 does not anticipate any material change in this position in the next 12 months.

There were no income taxes paid during the year ended December 31, 2013.

**6. Subsequent Events**

The Company evaluated events subsequent to December 31, 2013 and through February 24, 2014, the date of issuance of these financial statements. The Company has determined there have been no events that have occurred that would require adjustments to the Company's financial statements.

**Computation of Net Capital and Aggregate  
Indebtedness under Rule 15c3-1 of the  
Securities Exchange Act of 1934**

**As of December 31, 2013**

**Net capital**

Total stockholder's equity	\$ 1,500,010
Deduct assets not allowable for net capital	
12b-1 fees receivable from affiliate	918,533
Commission allowance receivable from affiliate	166,398
Prepaid regulatory expenses	29,200
Total deductions from net capital	<u>1,114,131</u>
Net capital before specific reduction in the market value of securities	385,879
Less securities haircuts pursuant to Rule 15c3-1	<u>          --</u>
Net capital	<u>\$ 385,879</u>

**Aggregate indebtedness**

Items included in statement of financial condition	
Commission payable to third parties	\$ 166,305
Payable to affiliate	<u>947,827</u>
Total aggregate indebtedness	<u>\$ 1,114,132</u>

**Computation of basic net capital requirement**

Minimum net capital required (based upon aggregate indebtedness)	\$ 74,276
Minimum dollar requirement	\$ 5,000
Net capital requirement	\$ 74,276
Excess in net capital	\$ 311,603
Ratio: aggregate indebtedness to net capital	2.89 to 1

**Reconciliation with Company's Computation of Net Capital  
On Form X-17-5 as of December 31, 2013**

There are no differences between this computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared and included in the Company's amended unaudited Part II FOCUS Report as filed on January 27, 2014.

## Independent Auditor's Report on Internal Control

Board of Directors  
1851 Securities, Inc.:

In planning and performing our audit of the financial statements of 1851 Securities, Inc. (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. During 2013, the Company remediated a deficiency in internal control related to commission revenue and commission expense that had been reported as a material weakness at December 31, 2012. Other than this previously reported deficiency which was remediated during 2013, we did not identify any deficiencies in internal 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, 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.



Farmington, Connecticut  
February 24, 2014