

KW  
3/12/14

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



14046858

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: March 31, 2016  
Estimated average burden  
per response..... 12.00

SEC  
Mail Processing  
Section

FEB 27 2014

Washington DC  
404

SEC FILE NUMBER  
8-47554

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 01/01/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Advanced Asset Trading, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

370 Saint Andrews Fwy

(No. and Street)

Memphis

TN

38111

(City)

(State)

(Zip Code)

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

Joseph Eberle III

901-277-2324

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Jackson, Howell and Associates, PLLC

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

7240 Goodlett Farms Parkway, Suite 101 Cordova

TN

38016

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

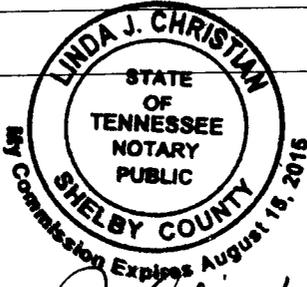
**FOR OFFICIAL USE ONLY**

\*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)

3/14/14

OATH OR AFFIRMATION

I, Joseph Eberle III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Advanced Asset Trading, 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:



Linda J. Christian  
Notary Public 2/26/2014

Joseph Eberle  
Signature  
president  
Title

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).

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	5
Financial Statements	
Statement of financial condition	7
Statement of income	8
Statement of changes in stockholder's equity	9
Statement of changes in liabilities subordinated to claims of general creditors	10
Statement of cash flows	11
Notes to financial statements	12
Supplementary Information	
Computation of net capital under Rule 15c3-1 of the Securities and Exchange Commission	19
Independent Auditors' Report on the Internal Control Structure	21

# JACKSON, HOWELL & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS CONSULTANTS



MEMBERS:

JIMMY R. ADKINS, CPA  
DAVID L. JACKSON, CPA  
CYNTHIA C. ROBB, CPA  
KAREN D. HILL, CPA, CFE, CGFM  
MARK L. LAUBER, CPA

MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
PRIVATE COMPANIES PRACTICE SECTION

TENNESSEE

7240 GOODLETT FARMS PARKWAY, SUITE 101  
CORDOVA, TENNESSEE 38016-4925  
(901) 683-5100 (O) / (901) 683-0562 (F)

ARKANSAS

301 EAST BROADWAY STREET  
WEST MEMPHIS, ARKANSAS 72301-3173  
(870) 735-2683 (O) / (870) 735-5871 (F)

E-MAIL: JHH@JHHCPA.COM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Advanced Asset Trading, Inc.  
Memphis, Tennessee

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Advanced Asset Trading, Inc. (the Company) which comprise the statement of financial condition as of December 31, 2013, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, 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.

### *Auditors' 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 auditors' 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 auditors consider 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 Advanced Asset Trading, 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.

***Other Matters***

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 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 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.

Cordova, Tennessee  
February 24, 2014

*Jackson, Howell & Associates, PLLC*

**Advanced Asset Trading, Inc.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2013**

---

---

**ASSETS**

Cash	\$ 4,727
Receivables from brokers and clearing organizations	40,624
Receivables from non-customers	22,838
Prepaid expenses	1,195
Property and equipment, net of accumulated depreciation of \$13,512	1,967
Deferred tax asset	<u>11,344</u>
	<b><u>\$82,695</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Accounts payable	\$ 1,613
Accrued expenses	8,600
Accrued taxes	178
Deferred tax liability	<u>1,746</u>
<b>TOTAL LIABILITIES</b>	<b>12,137</b>

**COMMITMENTS AND CONTINGENCIES**

-

**STOCKHOLDER'S EQUITY**

Common stock, \$.01 par value, authorized 100,000 shares, issued and outstanding 20,000 shares	200
Additional paid-in capital	69,800
Retained earnings	<u>558</u>
	<b><u>70,558</u></b>
	<b><u>\$82,695</u></b>

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

**Advanced Asset Trading, Inc.**  
**STATEMENT OF INCOME**  
**Year Ended December 31, 2013**

---

---

Revenues:	
Commissions	\$ 85,347
Investment and advisory fees	34,204
Interest and dividends	<u>38</u>
	119,589
Expenses:	
Employee compensation and benefits	57,587
Floor brokerage, exchange, and clearance fees	18,184
Communications and data processing	5,572
Occupancy	12,389
Other expenses	<u>25,636</u>
	<u>119,368</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>221</b>
Income tax expense:	
Current	-
Deferred	<u>246</u>
	<u>246</u>
<b>NET LOSS</b>	<b><u>\$ (25)</u></b>

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

**Advanced Asset Trading, Inc.**  
**STATEMENT OF CHANGES IN**  
**STOCKHOLDER'S EQUITY**  
**Year Ended December 31, 2013**

---

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2013	\$200	\$69,800	\$583	\$70,583
Net loss	—	—	(25)	(25)
Balance at December 31, 2013	<u>\$200</u>	<u>\$69,800</u>	<u>\$558</u>	<u>\$70,558</u>

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

**Advanced Asset Trading, Inc.**  
**STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**  
**Year Ended December 31, 2013**

---

---

Subordinated borrowings at January 1, 2013	\$ -
Increases	-
Decreases	<u>-</u>
Subordinated borrowings at December 31, 2013	<u>\$ -</u>

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

**Advanced Asset Trading, Inc.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2013**

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$ (25)
Adjustments to reconcile net loss to cash provided by operating activities:	
Depreciation	460
Deferred tax expense	246
Net changes in assets and liabilities:	
Increase in receivables from brokers and clearing organizations	(1,571)
Decrease in receivables from non-customers	4,617
Decrease in prepaid expenses	385
Decrease in accounts payable	(215)
Decrease in accrued expenses	(3,754)
Decrease in accrued taxes	(106)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>37</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of equipment	(215)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(215)</u>

Net decrease in cash	(178)
Cash at beginning of year	<u>4,905</u>
Cash at end of year	<u>\$ 4,727</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:**

Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ -

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

**Advanced Asset Trading, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

---

---

**NOTE A - NATURE OF BUSINESS**

**Nature of Business**

Advanced Asset Trading, Inc. is a subsidiary of Strategic Asset Consulting, Inc. The Company was organized in August, 1994 for the purpose of selling interests in direct participation programs and other investment vehicles to individual and corporate customers located primarily in the Mid-South.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

The Company cleared its securities transactions on a fully disclosed basis through RBC Correspondent Services for the year ended December 31, 2013.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue Recognition**

The Company accounts for income and expenses using the accrual method of accounting. Revenues for the Company are derived from commissions and investment and advisory services.

**Income Taxes**

The Company is included in the consolidated federal income tax return filed by its Parent. Federal income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

**Use of Estimates**

The preparation of financial statements in conformity with 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Advanced Asset Trading, Inc.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

---

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Depreciation**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Events Occurring After Report Date**

The Company has evaluated events and transactions that occurred between December 31, 2013 and February 24, 2014, which is the date that the financial statements were available to be issued, for possible recognition and disclosure in the financial statements.

**Securities Transactions**

Securities transactions are recorded on a trade date basis, 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.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Securities are recorded at fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*.

**NOTE C - FAIR VALUE MEASUREMENT**

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

**Advanced Asset Trading, Inc.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

---

**NOTE C - FAIR VALUE MEASUREMENT - CONTINUED**

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The Company's financial instruments consist primarily of cash. The fair values of this financial instrument are all Level 1 inputs as defined by FASB ASC 820 and as such, no fair value methodologies for other types of securities have been developed by the Company.

**NOTE D - RECEIVABLE FROM BROKERS AND CLEARING ORGANIZATIONS**

The amount receivable from brokers and clearing organizations at December 31, 2013 consists of the following:

Clearing deposit	\$35,000
Fees and commissions	<u>5,624</u>
	<u>\$40,624</u>

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The amount payable to the clearing broker relates to the aforementioned transactions and is collateralized by securities owned by the Company.

**NOTE E - INCOME TAX MATTERS**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Temporary differences that give rise to the deferred tax assets consist of differences due to the accrual basis being used for financial statement purposes and the cash basis being used for tax purposes, depreciation and federal and state net operating losses. The federal NOL's may be carried forward 20 years and any unused carryforwards will begin expiring in 2024. The state NOL's may be carried forward 15 years and any unused carryforwards will begin expiring in 2014.

The deferred tax amounts mentioned above have been classified on the accompanying balance sheet as of December 31, 2013 as follows:

Deferred tax asset	\$11,344
Deferred tax liability	<u>(1,746)</u>
	<u>\$ 9,598</u>

**Advanced Asset Trading, Inc.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

---

**NOTE E - INCOME TAX MATTERS - CONTINUED**

The income tax provision differs from the amount of income tax expense determined by applying the U.S. Federal income tax rate to pretax income for the year ended December 31, 2013 due to the following:

Computed "expected" tax benefit	\$ 75
(Increase) decrease in income tax benefit resulting from:	
Nondeductible expenses	118
State income tax (less federal benefit)	24
Income taxed at lower rates	42
Other	<u>(13)</u>
	<u>\$246</u>

The Parent files income tax returns in the U.S. federal and Tennessee jurisdictions. The Company files a franchise and excise tax returns in Tennessee. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by taxing authorities for years before 2010.

The Company recognizes the accrual of any interest and penalties related to unrecognized tax benefits in income tax expense. No interest or penalties were recognized during the year ended December 31, 2013.

**NOTE F - 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 a minimum amount of net capital that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides 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 and net capital requirements of approximately \$33,214 and \$5,000, respectively. The Company's ratio of aggregate indebtedness to net capital was 0.37 to 1.

**NOTE G - OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK**

As discussed in Note A, the Company's customers securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection of and payment of funds and, receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company.

**Advanced Asset Trading, Inc.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

---

**NOTE G - OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK  
- CONTINUED**

The Company seeks to minimize the risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealer.

**NOTE H - GUARANTEES**

FASB ASC 460, *Guarantees*, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

***Indemnifications***

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including subcustodians and third-party brokers, improperly executed transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

**Advanced Asset Trading, Inc.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

---

**NOTE I - RELATED PARTY TRANSACTIONS**

The Company has a receivable due from its parent in the amount of \$1,515 as of December 31, 2013 for expenses that the Company has paid on behalf of the parent.

**NOTE J - OFFICE RENTAL**

The Company leased office space in Memphis, Tennessee for operations. The lease was month to month and required a base monthly rental payment of \$1,033. The Company no longer leases this office space as of December 31, 2013. Rent expense for the year ended December 31, 2013 was \$8,641.

**SUPPLEMENTARY INFORMATION**

**Advanced Asset Trading, Inc.**  
**COMPUTATION OF NET CAPITAL UNDER**  
**RULE 15c3-1 OF THE SECURITIES AND**  
**EXCHANGE COMMISSION**  
**As of December 31, 2013**

**SCHEDULE I**

Net capital:		
Total stockholder's equity		\$70,558
Deductions and/or charges:		
Nonallowable assets:		
Unsecured non-customer receivables	\$22,838	
Prepaid expenses	1,195	
Furniture, equipment and leasehold improvements, net	1,967	
Deferred tax assets	<u>11,344</u>	
	37,344	<u>37,344</u>
Net capital before haircuts on securities positions		33,214
Haircuts on securities:		
Contractual securities commitments		<u>-</u>
<b>NET CAPITAL</b>		<b><u>\$33,214</u></b>
Aggregate indebtedness:		
Items included in statement of financial condition:		
Accounts payable and accrued expenses		<u>\$12,137</u>
<b>AGGREGATE INDEBTEDNESS</b>		<b><u>\$12,137</u></b>
Computation of basic net capital requirement:		
Minimum net capital required		<u>\$ 5,000</u>
Excess net capital at 1000%		<u>\$27,214</u>
Ratio of aggregate indebtedness to net capital		<u>0.37 to 1</u>

There are no material differences between the Company's computation of net capital under Rule 15c3-1 included in Part II of Form X-17A-5 as of December 31, 2013 and the computation above; therefore, no reconciliation of the computation of net capital under Rule 15c3-1 is included.

**INDEPENDENT AUDITORS' REPORT ON THE  
INTERNAL CONTROL STRUCTURE**

# JACKSON, HOWELL & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS CONSULTANTS



MEMBERS:

JIMMY R. ADKINS, CPA  
DAVID L. JACKSON, CPA  
CYNTHIA C. ROBB, CPA  
KAREN D. HILL, CPA, CFE, CGFM  
MARK L. LAUBER, CPA

MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
PRIVATE COMPANIES PRACTICE SECTION

TENNESSEE

7240 GOODLETT FARMS PARKWAY, SUITE 101  
CORDOVA, TENNESSEE 38016-4925  
(901) 683-5100 (O) / (901) 683-0562 (F)

ARKANSAS

301 EAST BROADWAY STREET  
WEST MEMPHIS, ARKANSAS 72301-3173  
(870) 735-2683 (O) / (870) 735-5871 (F)

## INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE

E-MAIL: JHH@JHHCPA.COM

Board of Directors  
Advanced Asset Trading, Inc.  
Memphis, Tennessee

In planning and performing our audit of the financial statements and supplementary schedule of Advanced Asset Trading, Inc. (the Company) 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 procedure followed by the Company in any of the following:

1. Making quarterly securities examination, counts, verifications and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements of 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or 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 subjected 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 misstatements on a timely basis. A significant deficiency is a deficiency, or 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 above.

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 Securities and Exchange Commission, the Financial Industry Regulatory Authority, and other regulatory agencies which would 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.

Cordova, Tennessee  
February 24, 2014

*Jackson, Howell & Associates, PLLC*